A HAND BOOK FOR THE TIMES.

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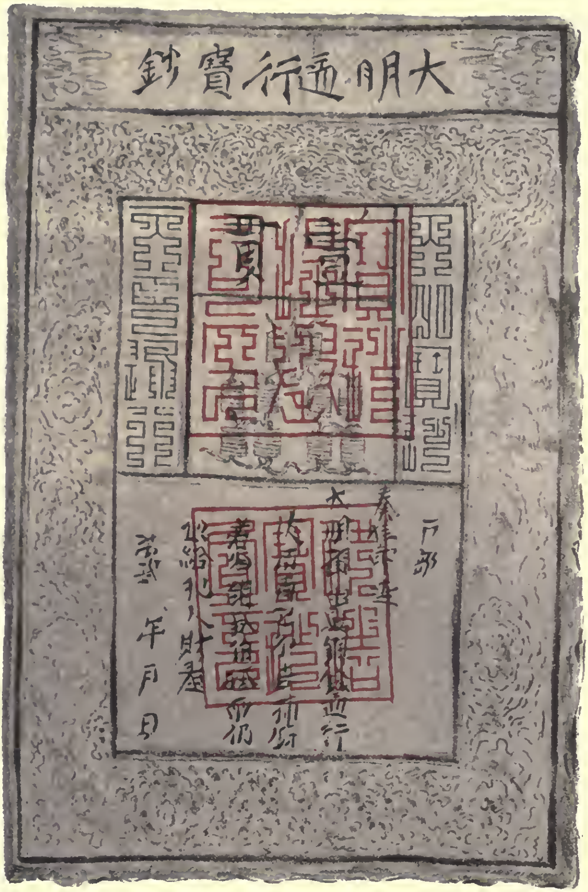

LEGAL-TENDER NOTE OF THE MING DYNASTY, 1435.
(One Third the Length and Breadth of the Original)

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RESUMPTION

AND THE

SILVER QUESTION:

EMBRACING A SKETCH OF THE COINAGE AND OF THE LEGAL-TENDER CURRENCIES OF THE UNITED STATES AND OTHER NATIONS.

A HAND-BOOK FOR THE TIMES.

BY

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PREFACE.

THE object of the following pages is to present in a concise manner the irreconcilable distinction between currencies of banks and bankers—of commerce—which are instruments arising out of production and trade; which are essential to their operations on a large scale; which are limited by their extent; which represent a corresponding amount of existing capital, and are discharged by its use, and which are most beneficent in their result: and those of Government notes, which do not arise out of production and trade; which have no relation to the extent of the latter; which, instead of representing a corresponding amount of existing capital, represent its waste; which do not disappear by their use; and which, having the force of money by being legal tender, are necessarily highly maleficent in their result. The conclusions of the writer have been supported by illustrations drawn from the most memorable examples in history.

His object is to appeal to the intelligence of every citizen in the land; and will be accomplished if he can help to excite a wide discussion of the subject. He is confident that such discussion, conducted in a proper spirit, and by an adequate method, must lead to such uniformity of conviction of the disastrous effect of our legal-tender notes, that in place of any increase, the public will demand that steps be presently taken for their speedy and complete retirement.

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RESUMPTION

AND THE

SILVER QUESTION.

PART I.

WHAT IS PAPER MONEY?

IN a recent work* I undertook to treat money as a subject coming within the range of the exact sciences. I now propose to apply the laws there unfolded to the various financial propositions before the country for the resumption of specie payments, and especially to that of Mr. Secretary Sherman.

Should a bank—the American Exchange, for example—cease upon a given day to make further issues of notes and credits, its whole capital, with such of its deposits as had been loaned, would, without action or effort on its part, be returned to it in coin (assuming it to be on a specie basis) within, say, ninety days, provided its bills were to mature within such period, and were paid. Its

* "Money and its Laws," embracing a History of Monetary Theories and a History of the Currencies of the United States, by Henry V. Poor. New York: H. V. & H. W. Poor, 68 Broadway. 1877.

accumulations of coin would from day to day be in ratio as they were paid. Equally without action or effort on its part would all its liabilities be taken in. The process, which would simply be one of liquidation, would convert all, or nearly all, of its assets into coin. The following statement may be assumed to show approximately the condition of the bank, when it ceased to make further issues:

Assets.		*Liabilities.*	
Bills receivable	$10,000,000	Share Capital	$5,000,000
Coin Reserves	3,500,000	Deposits	10,500,000
Real Estate	350,000	Note Circulation	500,000
Due from other Banks	3,150,000	Balance (surplus)	1,000,000
Total	$17,000,000	Total	$17,000,000

The following statement would show approximately its condition after its bills and other dues were fully paid:

Assets.		*Liabilities.*	
Coin in hand	$16,150,000	Share Capital	$5,000,000
Real Estate	350,000	Deposits	10,500,000
		Balance (surplus)	1,000,000
Total	$16,500,000	Total	$16,500,000

Should its deposits, or a portion of them, be drawn, its coin would be correspondingly reduced.

The capital of the bank in the outset might have consisted wholly of coin, or of the notes and credits of other banks, or of bills receivable given for

merchandise, a sufficient amount of coin in addition being held to serve as reserves. If its capital were paid in wholly in coin, the process of discount, till this was paid out, would consist of an actual exchange of coin—of capital, for the bills of its customers. When this was paid out (less an amount sufficient to serve as reserves), loans would be made by an issue of the notes and credits of the bank for bills given in the purchase of merchandise fitted, and in demand, for consumption. The greater part of loans at bank are made in this manner, the process of discount being ordinarily a mutual exchange of obligations. The parties in whose favor the discounts are made pay out the notes and credits received, for labor and material to be used in the prosecution of their industries—in the production of merchandise similar to that already put upon the market—and for which the bills discounted were given. Those to whom the notes and credits are paid use them, as a rule, as *money*, for the purpose of reaching some one of the articles of merchandise held by the makers of the bills. They are received by the consumers of such merchandise equally with coin, for the reason that they are received by the holders in its sale equally with coin, these using such notes and credits in the payment of their bills; the bank in such payments making no distinction between its notes and credits and coin. No sooner, therefore, are its notes and credits issued than they immediately enter upon a

circuit which is to bring them back to it, automatically, and in full volume. The time ordinarily consumed in making such circuit—that is, for the distribution for consumption of the merchandise which the bills represent, averages, say, ninety days. Such, consequently, is the proper limit as to time of discountable paper, which should always mature before or simultaneously with the return of the notes and credits issued in its discount, in order that the one may be discharged by the other. If the notes and credits return previous to the maturity of the bills, the former have to be taken in by the bank by the payment of a corresponding amount of coin. So soon as the notes and credits return to the bank, they are *functus officio*, so far as relates to the transactions in which they were issued, and only appear when new ones are entered into.

As the process of discount is a mutual exchange of obligations, the process of payment is ordinarily their mutual cancellation. If the bills are paid, the notes and credits issued in their discount will, as a rule, be the instruments of such payment. So far as the latter are deposited in banks, these making no distinction between their own notes and those issued by others, they are daily presented for redemption through the operations of clearing houses, the process being too familiar to require further description. Whatever, therefore, is issued, so soon as it has performed its function, returns regularly and necessarily to the

issuer in one of the ways described. When not retired by direct payment into the bank, or by mutual offset at the clearing house, it must, for the want of merchandise, the ordinary subjects of consumption, be discharged in the universal equivalent—in coin. No credit is ever given between issuers of currency. Their issues are always assumed to be the equivalent of coin, and are treated as such equivalent. The slightest evidence that they are not, as far as their constituent is concerned, is the signal for their instant presentation to the issuer for coin. The law, therefore, which compels the redemption of paper money of all kinds, so soon as it has performed its office and function, is an inexorable one. The best that an issuer can hope for is that his issues shall serve as money—that is, remain for ninety days in the channels of circulation. He has constantly to fear that they will not so remain, but will be immediately presented for payment. In such case he is compelled to suspend, as no issuer of currency is able, as a rule, to take in all his liabilities upon the instant. Each one, therefore, is most scrupulous to maintain his credit, and is always eager to strengthen his position by drawing in coin all the balances that may be found in his favor.

Such is a brief description of the money of banks—of commerce. It is, through the bills discounted by its issue, the symbol of capital, of merchandise,

and is discharged by its use. Such merchandise may be in the hands of the public, or in the vaults of the bank in the form of coin. So far as currency is symbolic, a corresponding amount of capital, in the form of coin, is discharged from the work of distribution, reducing in like ratio the cost of such merchandise to the consumer, and increasing at the same time the profits of the producer; each sharing alike in the saving effected. The very object of such symbols is to furnish convenient and inexpensive, in the place of inconvenient and expensive, instruments of distribution. They belong to the class of mechanical contrivances, which by supplanting old and cumbrous processes by new and simple ones, have changed the whole face of modern society. The effect of such currencies is to reduce prices precisely as the application of steam to production reduces prices. The tendency of all commercial countries is to their use by the sale, on credit, of merchandise *in gross*, the bills given laying the foundation therefor. The means of distribution, and consequently, the money of the country, would be ideally perfect when every article entering into consumption was represented by a symbol by which it could be reached. Such a result, however, cannot be realized from the tendency always existing, and which can never be fully restrained—to issue symbols without a constituent. The best corrective of such an abuse is to forbid the discount of bills having

more than ninety days to run, and to provide that no symbols shall be issued of denominations less than ten dollars. In England, where their use is carried to a greater extent than in any other country, no notes of banks are issued of less denominations than five pounds, or twenty-five dollars.

It will be seen from what has preceded that the capital which is to retire a banking currency is ordinarily merchandise in the hands of the public. The bank holding the bills given for it is entitled to their proceeds. As a rule, however, such proceeds come into its possession only when it goes into liquidation. By the time its notes and credits ordinarily return to it, the merchandise represented by them has reappeared in new forms, represented by new bills, which are discounted in manner described; the notes and credits issued serving for its distribution, the reserves being held as security for new transactions precisely as they were held for the old. In this way whatever is produced is distributed, coin interposing only when the notes and credits do not represent their proper constituent. As they will, whether they represent it or not, return regularly and automatically to the issuer, they must, so far as they lack such constituent, be paid in coin. This is held for the purpose of supplying the lack of such constituents, the ordinary subjects of consumption. It is never intended to part with it, but to hold it as reserves against any sudden or unforeseen contingency. A proper

proportion must always be maintained between reserves and liabilities. If a bank with coin reserves equaling $1,000,000 may safely have notes and credits in circulation representing merchandise to the amount of $4,000,000, it must reduce its issues to $2,000,000, if from any cause its reserves are reduced permanently to $500,000. It is no part of the office of a bank to lend coin, but to supply instruments of distribution in its place. It is weakened just in ratio as it parts with coin, and strong just in proportion as its liabilities are provided for without its use. A bank having liabilities of $10,000,000, with reserves in coin equaling $5,000,000, and with no other means of discharging its liabilities, would be immediately put into liquidation. The courts would interpose upon the mere suggestion of its condition. On the other hand, a bank with equal liabilities, with only $1,000,000 of reserves, but with $10,000,000 in good bills, would be entirely solvent and beyond the reach of legal interposition. All it would have to do to convert all its assets into coin, would be to call in its bills receivable, the amount of the latter equaling the excess of indebtedness to it on the part of the public.

Such are the nature, object, use, and mode of retirement of bank money. It is simply the instrument by which capital is reached. Metallic—intrinsic—money, gold and silver, serves three great uses. It is the highest form of capital, and consequently

is the instrument of reaching by direct exchange all other kinds of capital. As the desire for its possession is uniform from age to age, an attribute possessed in an equal degree by no other kind of property, it forms the reserves of society. When not wanted for exchange or reserves, it is used in the arts, such use constituting, in fact, the basis of its value. A bill of exchange drawn upon London may have the value of coin to a person owing debts in that city, for the reason that its conversion into money there will pay such debts. It is its capacity for such conversion that gives it its value. The issues of banks break up the bills drawn in the sale of merchandise *in gross*, into denominations suited to the convenience of the public. To those in want of such merchandise such issues serve all the purposes of coin. There will, however, always be holders of them who may wish to convert them into coin for export, to serve as reserves, or for use in the arts. To such wants the issuers of currency must respond. So far as they are able to do this, their issues will have the value of coin to their holder, as they will enable him to reach the constituent in any form desired. It is such a provision that gives to the notes and credits of banks the value of coin. If not available for the purpose of reaching every kind of merchandise, they instantly fall to a discount from the price of coin.

Let us see how far the paper money of govern-

ments corresponds to the money of banks—to the money of commerce. Should the United States, an issuer of notes to serve as currency, cease to make any issues for a period of three months, there would be returned to it within such period such portion of its notes as equaled the revenues collected—say $60,000,000, or a little more than one-sixth of the notes at present outstanding, assuming all the revenues to be collected in them. By such return, the indebtedness of the public in the form of taxes would be discharged in an equal degree. A corresponding amount of the indebtedness of government would be taken in, but not an additional dollar added to its means. Should it cease to make further issues for a period of one and a half years, its notes would (assuming the revenues to amount to $240,000,000 annually) be wholly taken in. In such event it would not be in the possession of a dollar in coin, in consequence of its ceasing to be an issuer of currency.

Such different results, following an action precisely similar in the two cases, mark the wide difference between the position of banks and the currency they issue, and that of the government and the currency it issues. The notes of the former when properly issued are always the evidence of a capital which is to provide the means for their retirement. Such provision is the necessary condition of their circulation. They are payable on demand in order that their constituent may always

be available to the holder. They circulate at the par of coin for the reason that their constituent has a value in coin equal to their nominal amount. For every note and credit issued, two parties at least —the maker and indorser of the bill discounted—undertake to save the issuer harmless on account thereof. Interest is always charged to their receiver for such period as the bills discounted have to run, for the reason that they secure to him a corresponding amount of capital of the value of coin. They are never made competent to discharge the indebtedness of the issuer. Such provision would be fatal to their circulation, as it would be considered as discharging him wholly from the obligation of payment. Their use largely increases the amount of coin in a country, from the powerful influence they exert in enlarging its production and trade; the coin, and paper representing merchandise of equal value, circulating side by side in proportions to suit the public convenience. The notes of a government, on the other hand, are never issued as the evidence of capital and as the instruments of its distribution, but always to supply the lack of it to the issuer. It alone undertakes their retirement. They are never issued in the discount of bills. Interest is never charged to the parties to whom they are paid, for the reason that they represent no immediately available constituent. The means for their retirement are never provided previous to their issue.

Government is never the lender, but always the borrower of capital. Its notes are never made payable presently, from its inability to pay them presently. As they are always the last resort of exhaustion and incompetency, they are always made legal tender in the discharge of contracts equally with coin as a necessary condition of getting them into circulation. Otherwise no one would receive them as money. Such provision may for a time give them a high value, but can never raise them to the value of coin, for the reason that they can serve only one function of coin—the payment of debts. They cannot be exported as money, held as reserves, nor can they be used in the arts. They lose a considerable portion of their value so soon as the debts existing at the time of their issue are discharged, as no one will contract to receive them at a future day as the equivalent of coin. Their value, consequently, comes to depend upon the time that, in public opinion, is to elapse before they are paid. Having the same legal competency, they always speedily drive the more valuable currencies out of circulation, as two currencies of unequal value will never circulate side by side. But such competency has force only so long as confidence is felt that the notes will eventually be redeemed. When it is seen that they will not, it will have no force or effect whatever. They always inflate prices for the reason that, instead of being the symbols of capital, they are always instruments in excess of

the means of consumption. They are promises to pay without provision for payment, and are necessarily subject to excessive fluctuations in price, due to the uncertainty as to the time of their payment, a matter wholly within the discretion of the issuer.

As a banking currency, so far as it is symbolic, is wholly beneficent in its effects, discharging from use a corresponding amount of capital in the form of coin, and reducing in equal ratio the cost of distribution, a currency of government notes is wholly maleficent in its effects. It is, in whatever light viewed, a pure and unmitigated evil. The issues of banks are made the basis of industries which reproduce merchandise equal in amount at least to that consumed. The greater the amount, consequently, of bank-money properly issued, the greater both production and consumption. No matter what its amount, there can be no inflation, as the symbol never exceeds, and always disappears with, the constituent. A government currency, on the other hand, is always in inflation to its full extent. As it becomes, being legal tender, the reserves of all other issuers, there is necessarily a vast increase of currency in addition to its amount. The immediate and necessary effect is an excess, in ratio to the inflation, of consumption over production. From the increased demand, vast commercial and industrial enterprises are presently set on foot, for the products of which there is no corresponding power on the part of the public to consume. The

injurious effects begin to show themselves long before the currency has reached its maximum. The old loses a portion of its power, while the increasing wants of the public can no longer be supplied by new issues. Those who have embarked in industrial enterprises, seduced by an apparent abundance of capital, are without demand for their products, or means to sustain the immense outlay they have made, or to which they are subject. As very large numbers, from being thrown out of employment, are compelled to live upon their past accumulations, the money of the country gradually flows to the commercial centers, and into the hands of the wealthy few; the great mass of consumers coming in time to be almost wholly wanting in means of support. The condition of the United States to-day is a striking illustration of the effect of the use of a currency which is neither capital nor the evidence of capital. There is a vast abundance of products of all kinds, but no demand for them, even at rates far below cost. All are sellers—none buyers. Those who possess money do not dare, in the general uncertainty, to attempt to put it to any productive use, in the utter stagnation which prevails in all the departments of commerce and trade.

That which has preceded has only epitomized the results of experience common to the whole race from the moment that money has been used in any

form. No banking or government currency was ever maintained at the value of coin unless full provision was made, or supposed to be made, for its conversion into coin or its equivalent. Money, like merchandise, is accepted only at its real or supposed value. Otherwise no distinction would be made between a half and the whole. Mankind in their transactions with each other deal in realities, not in fictions; in substantial things, not in shadows. There never was a currency of government notes of the character of those of the United States that was not, from its very nature, at a discount from the par of coin. I am well aware that very different accounts of money are laid down in the books. In all it is confidently stated that the most worthless substances, by being declared by government to be money, may be maintained at the par of coin, provided their nominal amount does not exceed that of the coin supplanted by them; and that such worthless substances, after they are declared money, may, by reducing their amount, be raised to any possible pitch of value. All such statements are the dreams of theorists or of schoolmen, and are without the least support in reason, or in the experience of mankind.

PART II.

RESUMPTION OF SPECIE PAYMENTS.

IT is now proposed to raise the value of the government notes of the United States to the par of coin. The provision necessary, in the opinion of Mr. Sherman, Secretary of the Treasury, was fully set forth by him in recent conferences with the Committee of the Senate on Finance, and the Committee of the House of Representatives on Banking and Currency. The conference with the Senate Committee was held on the 19th of March, 1878. At this conference several interrogatories were proposed to the Secretary by members of the Committee which, and their answers, were, with some abbreviations, as follows:*

THE CHAIRMAN. Ought the Resumption Act to be repealed, and if not, why not?

SECRETARY SHERMAN. The question is a very general and is rather a legislative than an executive question; but I

* The Committee on Finance of the Senate consists of Mr. Morrill of Vermont, Chairman; Messrs. Dawes of Massachusetts, Ferry of Michigan, Jones of Nevada, Allison of Iowa, Bayard of Delaware, Kernan of New York, Wallace of Pennsylvania, and Voorhees of Indiana.

have no objections to answering. I think the Resumption Act ought not to be repealed, * * * and now I am fully convinced that we are able to do what we have so often promised to do and ought to do.

CHAIRMAN. Do you think resumption is practicable under the present law?

SECRETARY SHERMAN. The best evidence that we are able to resume on the 1st of January next is the progress that has already been made. When the Resumption Act was passed, the premium on gold was about 10½ per cent. Since that time it has been reduced to a nominal rate. It is now a little over 1. Since that time we have accumulated in preparation for resumption a large sum of gold. I have taken some pains to get the figures, which I will give you:

Gold coin	$117,151,455 62	
Gold bullion	7,937,300 11	
		$125,088,755 73
Less amount to credit of disbursing officers and outstanding checks	6,189,626 60	
Gold-certificates actually outstanding	44,498,500 00	
Called bonds and interest	6,818,677 29	
Interest due and unpaid	4,909,705 21	
		62,416,509 10
Available gold coin and bullion		62,672,246 63
Available silver coin, fractional		5,972,895 42
Available silver bullion		3,130,718 31
Total available gold and silver		$71,775,860 36

* * * Now, in regard to another point pertinent to your question, we have, in the process of preparation for resumption, reduced the volume of United States notes.

The precise figures are familiar to you. The amount was $382,000,000 at the time of the passage of the Resumption Act, and the amount now is $348,618,024. Again, the amount of outstanding bank-notes has been reduced. On December 31, 1875, the amount was $346,479,756; on December 31, 1877, $321,672,505, and on February 28, 1878, the amount of bank-notes outstanding was $321,989,991; but the amount of bank-notes of banks in existence, not in process of liquidation, was $299,240,475, and the difference between these two sums being the notes of banks in process of liquidation, although the notes are in circulation, yet an equal amount of greenbacks are in the Treasury as a special deposit to redeem them.

The decline in the price of gold, compared with government notes, may be due to causes which have no relation whatever to their relative value. The impression is now almost universal that the Nation is on the eve of resumption; that time only is wanting to bring about the perfect coincidence of notes and gold. Did this conviction rest upon any well-assured foundation, a contract to pay gold, say at the end of one year, would, deducting the present premium, be as readily entered into as a contract to pay a corresponding amount of greenbacks. There is, however, no person of ordinary sense, were the two kinds of money offered him—the gold at an interest of three per cent. and the greenbacks at six—who would not elect to pay the higher rate, from the excessive losses which the gold loan might involve. This fact marks the wide distinction that still exists between the two. At one time greenbacks

circulated at only a very small discount. At another they were at a discount of 65 per cent. At the present time they are at a discount of only 1 per cent. below the price of gold. Their relative value at the present time, as in the past, is simply a matter of opinion, of sentiment, which, as will be shown in the progress of the discussion, may be as wide of the mark as it has been at any previous time. A depreciation of the notes, and perhaps an excessive one, is certain to take place when the future discloses the entire inadequacy of the proposed provision for resumption. The present price of greenbacks does not depend upon the proposed provision for their payment, but upon a value to be derived from the uses, as currency, to which they may be applied.

CHAIRMAN. What effect has the silver bill had, or is likely to have upon resumption ?

SECRETARY SHERMAN. I do not want to tread on delicate ground in answering that question, Mr. Chairman. I shall have to confess that I have been mistaken myself. Now, as to the silver bill, I have watched its operation very closely. I think the silver bill has had some adverse effects, and it has had some favorable effects, on the question of resumption. Perhaps the best way for me to proceed would be to state the adverse effects first. It has undoubtedly stopped refunding operations. Since the agitation of the silver question, I have not been able largely to sell bonds, although I have made every effort to do so. * * * Now, another adverse effect the silver bill has had is to stop the accumulation of coin. Since the 1st of January we have accumulated no coin, except for coin-certificates, and except the balance of revenue

over expenditure. The revenues in coin being more than enough to pay the interest of the debt and coin liabilities, we accumulate some coin.

Another effect that the silver bill has had is to cause the return of our bonds from Europe. Although the movement of our bonds in this direction has been pretty steady for more than a year, yet it is latterly largely increased; how much I am not prepared to say.

On the other hand, I will give the favorable effects. In the first place, the silver bill satisfied a strong public demand for bi-metallic money, and that demand is, no doubt, largely sectional. No doubt there is a difference of opinion between the West and South and the East on this subject, but the desire for remonetization of silver was almost universal. In a government like ours it is always good to obey the popular current, and that has been done, I think, by the passage of the silver bill. Resumption can be maintained more easily upon a double standard than upon a single standard. *The bulky character of silver would prevent payments in it, while gold, being more portable, would be more freely demanded*, and I think resumption can be maintained with a less amount of silver than of gold alone.

SENATOR BAYARD. You are speaking of resumption upon the basis of silver, or of silver and gold?

SECRETARY SHERMAN. Yes, sir; I think it can be maintained better upon a bi-metallic, or alternative standard, than upon a single one, and with less accumulation of gold. In this way remonetization of silver would rather aid resumption. The bonds that have been returned from Europe have been readily absorbed—remarkably so. The recent returns in New York show the amount of bonds absorbed in this country is at least a million and a quarter a day. We have sold scarcely any from the Treasury since that time. This shows the confidence of the people in our securities, and their rapid absorption will tend to check the European scare.

SENATOR VOORHEES. That shows, Mr. Secretary, that this cry of alarm in New York was unfounded. *Then, this capital seeks our bonds when this bi-metallic basis is declared?*

SECRETARY SHERMAN. Yes; many circumstances favor this. The demand for bonds extends to the West and to the banks.

SENATOR JONES. Then, in its effect upon the return of the vast amount of bonds you refer to, would there not be an element of strength added in favor of resumption in that the interest on these bonds returned would not be a constant drain upon the country?

SECRETARY SHERMAN. Undoubtedly.

SENATOR JONES. Would the fact that they come back enable us to maintain resumption much easier?

SECRETARY SHERMAN. Undoubtedly. * * *

SENATOR BAYARD. You speak of resumption upon a bi-metallic basis being easier. Do you make that proposition irrespective of the readjustment of the relative values of the two metals as we have declared them?

SECRETARY SHERMAN. I think so. Our mere right to pay in silver would deter a great many people from presenting notes for redemption who would readily do so if they could get the lighter and more portable coin in exchange. *Besides, gold coin can be exported, while silver coin could not be exported, because its market value is less than its coin value.*

SENATOR BAYARD. I understand that it works practically very well. So long as the silver is less in value than the paper you will have no trouble in redeeming your paper. When a paper dollar is worth 98 cents nobody is going to take it to the Treasury and get 92 cents in silver; but what are you to do as your silver coin is minted? By the 1st of July next or the 1st of January next you have eighteen or twenty millions of silver dollars which are in circulation and payable for duties, and how long do you suppose this short supply of silver and your control of it by your coinage

will keep it equivalent to gold—*when one is worth ten cents less than the other?*

SECRETARY SHERMAN. *Just so long as it can be used for anything that gold is used for. It will be worth in this country the par of gold until it becomes so abundant and bulky that people will become tired of carrying it about; but in our country that can be avoided by depositing it for coin-certificates.*

The Secretary gives three injurious effects of the silver bill: the stoppage of the funding of the sixes into four per cents; the check in the accumulation of coin for resumption; the return of bonds from Europe. The first two effects resolve themselves into one, as both the refunding of the old bonds and the accumulation of coin depend wholly upon the sale of new bonds. With the progress of the discussion, however, all three injurious effects are shown to be highly advantageous, and to be powerful aids to the act and maintenance of resumption; for no sooner had the bi-metallic basis been declared, by means of which the value of all classes of bonds were, if the silver bill means anything, scaled down 10 per cent., than upon the strength of it there was a rush for bonds from the West, which championed and carried through the bi-metallic basis, as well as from the banks which so bitterly opposed it. In this increased demand both friends and foes of the silver bill vied with each other on common ground. The position of the country for resumption was strengthened, according to the Secretary, in ratio to the amount

of bonds returned, from the reduced amount of interest to be remitted abroad.

Having converted the injurious effects so much deprecated before the passage of the bill into real and substantial blessings, the Secretary proceeds to enlarge upon the advantages in reference to which there was no doubt or controversy. The silver bill was a "popular measure," and, to repeat him, "in a government like ours it is always good to obey the popular current." Whether good or not to obey the popular current depends on whether its direction be good or bad. The President thought it wholly bad; that the silver bill was calculated to inflict a great injury upon the prosperity of the country; that it was a fraud upon public creditors, a stain upon our national character; and vetoed it in spite of its passage by more than two-thirds of both branches of Congress. Had the President possessed convictions at all proportioned to the importance of the subject, he and his Secretary would very speedily have parted company. One or the other is wholly wrong in a matter most deeply involving the moral and material welfare of the Nation. The Secretary's maxim, that the popular current is to be followed whichever way it flows, is the curse of all popular governments, and threatens to destroy our own. Had Washington acted upon it, our government would not have survived the term of his office. Never did a public servant more heroically breast the popular current than

when he ratified the Jay Treaty; declared the absolute neutrality of the country in the wars growing out of the French Revolution; and put down, by main force, the Whisky Insurrection in Pennsylvania. In all these matters the popular current moved against him with a force of which we have but little idea. The public squares of the seat of government at the time were lurid with the glare of the flames kindled to consume his effigy, as well as copies of a treaty, negotiated, it was claimed, in the interest of our hereditary enemy. Almost single-handed, he met the popular current with a calmness of conviction and sense of duty which overcame all resistance, and carried to triumphant conclusions measures which are now acknowledged to be eminently wise, and upon whose success the very existence of the Nation may be said to have depended. His brightest laurels were won by the establishment of measures carried against the most determined opposition of a vast majority of the people. Twice was he unanimously elected to the Presidency. Opposition to the popular current became the real foundation of his unbounded popularity, as the result always vindicated the soundness of his judgment and the integrity of his purpose. Would that modern demagogues could see that pandering to the popular current is the surest way of incurring popular disdain and contempt! The path that leads to the Presidential mansion is white with the bleached bones of aspir-

ants whose only method of reaching it was to commit themselves to the fickle and treacherous current of popular favor.

Resumption, according to the Secretary, can be had upon a bi-metallic basis with less amount of coin than on a gold basis, for the reason that the inconvenience in the use of silver as money will deter many people from demanding it; while it could not be exported for the reason that its legal-tender value would be greater than its market or exportable value. When gold is demanded, therefore, all he has to do is to crush the impertinent applicant beneath a vast mass of the more ponderous metal. Let us take an illustration. Mr. B——, a New York banker, a "bloated bondholder," having occasion to remit a million dollars to Europe, walks into the Treasury with an air of importance, such as the possession of a round million would naturally give, and blandly asks the cash for his notes. The Secretary, with equal blandness, replies, "Yes, sir," touches his bell, when instantly appear some fifteen or twenty stalwart porters. "Roll out Mr. B—— two hundred kegs of silver." Mr. B—— starts back with an air of mingled astonishment and indignation: "But I want the gold for export. You stated in your conference with the Senate Committee that silver cannot be exported, for the reason that its market value is less than its legal-tender value; while gold, whose actual and nom-

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inal value is the same, can be. If you pay me in silver, as I must make the remittance, I shall lose a hundred thousand dollars by the operation." "Ah!" replies the Secretary, with his upturned eye fixed on vacancy. "Yes, sir," exclaims Mr. B——, "and I won't stand it!" "Stop," says the Secretary, addressing the porters who had just begun to roll out the kegs; and, turning to the banker: "Mr. B——, you do not seem quite prepared on your part. When I begin to pay you I want to make a clean job of it. Before I begin you must have in line about twenty drays—a ton and a half for each is a fair load. This will save trouble all round. Good morning, sir!"

So much for the advantages in aid of resumption of the bill to remonetize silver, due to the *gravity* of one of the metals to be used. The Secretary proposes to treat a demand for gold as Mark Twain's sporting character of Calaveras County did the notorious jumping frog of his rival—weight him so with ponderous metal that, when the jump upon which an immense stake depended was to be made, he could not move a peg. "But," asks Senator Bayard, "how are you going to equalize the value of gold and silver when one is worth ten per cent. more than the other?" "The thing is done," says the facile Secretary, in effect, "so far as this country is concerned: use silver for anything that gold can be used for, and the two metals will have the same value. For the foreign trade we care noth-

ing, as for this we can, when gold is demanded, pay out silver. This will do till silver becomes too abundant and heavy to be lugged round. All we then have to do, to equalize their value to any extent, is to receive the silver on deposit, issuing certificates therefor. The two metals will then have an equal value, no matter their amounts, for the reason that a certificate of a deposit of ten thousand dollars of one metal will not weigh a whit more than a certificate of deposit of ten thousand dollars of the other."

The Secretary, at the time Senator in Congress, drew, in 1873, the bill demonetizing silver, one of the alleged reasons for the measure being, that in consequence of a slight difference between the coined value of gold and silver, the latter had wholly ceased to be used except as subsidiary currency; it having been exported at its bullion value, which was greater than its legal value, compared with gold. As it is now coined at a legal value 10 per cent. greater than its bullion, gold as a necessary consequence will be the metal exported, two currencies of equal legal and of unequal bullion value never circulating side by side. If he would resume and maintain resumption, it must be upon the basis of silver. Of this metal he had, all told, upon the 28th of February, 1878, $9,103,613. He must have, by his own showing, $120,000,000. He should, therefore, not only lose no time in converting his gold into sil-

ver, but make all future sales of bonds payable in it. Resumption upon silver, however, would involve a delay of three years, in order that the Mint might have time to turn out its necessary amount of coin.

Such are the aids to resumption derived from the silver bill.

SENATOR VOORHEES. How much surplus did you say you had on hand?

SECRETARY SHERMAN. I have now seventy-one millions.

SENATOR VOORHEES. Then you say that you would be willing to undertake resumption under the existing laws by the 1st of next January. Now, with the aid of the silver bill and the coinage, what amount of coin would you expect to have on hand, with which to undertake resumption at that time?

SECRETARY SHERMAN. I would accumulate about five millions per month of both metals from the 1st of April to the 1st of January, which would be forty-five millions; and, if the market is favorable, I think I would try to make good the loss that I have suffered by not accumulating in January, February, and March of the present year. I think I could in this way accumulate fifty or sixty millions.

SENATOR VOORHEES. That would give you one hundred and fifty millions.

SECRETARY SHERMAN. Not so much; nor do I think it is necessary to have so much.

SENATOR JONES. And does that look to eliminating the legal-tender function on the 1st of January next?

SECRETARY SHERMAN. No, I think not, sir; I am in favor of maintaining the legal-tender currency.

SENATOR KERNAN. You thought that you could practically redeem all that would be presented?

SECRETARY SHERMAN. I have no doubt of my power to reissue, up to three hundred millions of legal tenders.

SENATOR JONES. I have an idea that would make a good deal of difference.

SENATOR FERRY. Then, on the question of resumption, your view is that, with ninety millions on hand, and the accumulation of sixty millions more, or even forty millions—which would be one hundred and thirty millions—you would be willing to commence the resumption of the present volume of the currency, both national and bank?

SECRETARY SHERMAN. Oh yes. The banks must look out for themselves.

SENATOR BAYARD. I would like to ask you if the condition of the country will sustain this resumption with this very large accumulation of gold by the banks in New York; and if they will not have a tendency to continue to increase their reserve, as they find the Treasury running in the same direction?

SECRETARY SHERMAN. The national banks will take care of themselves.

The Secretary has now $71,000,000 in the Treasury available for resumption. He proposes to accumulate $5,000,000 a month more from the sale of bonds, so as to raise the amount under his own control to $120,000,000 by the 1st of January. He also holds in the Treasury some $60,000,000 of coin, represented in part by certificates of deposit, a part of it being held for the redemption of call bonds, and a part subject to the order of disbursing agents. A portion of these sums, perhaps ten or twenty million dollars, he hopes to make available for resumption. So far as such deposits could

be made available would his means be increased. The proposition to use a portion of them is the reason for the various amounts stated to be applicable to resumption, some of the Senators putting it as high as $140,000,000. As it would be utterly unsafe to rely upon deposits in the Treasury not belonging to the government, the amount to be counted upon as available for resumption can be only that belonging to it, and set apart especially for this purpose.

It is plain that $120,000,000 will not pay $340,000,000, the amount assumed to be outstanding on the 1st day of January next. The Secretary declares that it will not; but that—to anticipate his argument—with the above provision the notes will not be presented for redemption from the confidence felt in their value. This assumption involves the whole question at issue. What is money? Gold and silver—capital in its highest form—for the reason that every one seeks to obtain them by parting with whatever he has to sell. We need not here discuss whether the universal desire for the precious metals be innate or conventional. It is certainly stronger than that felt for any other kind of property. Another kind of money is the issues of banks, the value of which is not intrinsic, but representative. Such value depends in a very small degree upon the coin the banks hold. It rests chiefly upon the merchandise represented by their bills. It has to those in want of such mer-

chandise the value of gold, and is accepted in its place. Another kind of money is government notes. These possess none of the attributes of bank money; no specific sum is provided for their redemption. For want of such provision, they are necessarily at a discount from gold. They will remain at such discount until the same provisions are made in their favor as are necessary to sustain bank currencies at the par of gold. They may, of course, have a greater value than that of the present provision for their payment, from the expectation that full provision will at some time be made; precisely as the notes of a bank may have a greater value than the apparent provision in their favor, in coin or merchandise, from a right to proceed against the shareholders. But future provision, either on the part of government or of banks, is not equivalent to a corresponding amount of capital in hand. The notes of both will remain at a discount till such full provision be made. Resumption on the part of the government can be nothing less than such provision.

Another reason why the notes of a government issued as currency will always be at a discount from gold, is, that they are always instruments in excess of the means of consumption. Should the amount of gold in a country upon a specie basis be suddenly doubled, prices of all other kinds of merchandise would necessarily rise. The result would be the same should banks suddenly and largely in-

crease their issues by discount of bills not the representatives of merchandise. The law is simply that of supply and demand, and is as inexorable as that of gravitation itself. The Secretary, therefore, in his attempt at resumption, is confronted at the very outset by obstacles which are as much beyond his power, as it is beyond his power to render an acute equal to a right angle, or to make one and one equal four. The question is not one of confidence, but of quantity. Bank-notes circulate from the confidence which exists that they represent the capital adequate to their payment. The confidence necessary to their circulation disappears the moment it is seen that they do not represent such capital. Where it exists, it is simply trust in the integrity of the issuer. But no confidence will ever exist that $50 will pay $100. This, however, is the kind of confidence on which the Secretary bases his great scheme of resumption. The moment, therefore, that he attempts to resume with a provision of only $120,000,000, a run will immediately set in upon him, which will draw all his coin so soon as it can be counted out to eager and impatient noteholders. There will be plenty who will see, or fear, that resumption cannot be maintained; that in view of failure, the Secretary will, as he threatens, resort, in self-defense, to his legal-tender notes. They would do their best to anticipate such action. They could lose nothing, but might gain everything, by the change. The legal-tender clause of

the notes, instead of being an aid to resumption, would only serve to precipitate the rush for coin, for fear that nothing would be left to their holders but payment in kind. Resumption, therefore, with the legal-tender clause preserved, is an impossibility.

With a full provision of coin for his notes, the Secretary can no more maintain them in circulation than with the partial provision which he proposes. Three hundred and forty million dollars could not be accumulated without great disturbance in commercial circles. So soon as he began to pay, a large amount of his coin would necessarily return to its accustomed channels. Large sums would immediately be drawn by the banks to serve as reserves for issues equaling perhaps five times their amount. As the coin could be put to so much better use by banks than by the government, the whole of it, upon the plainest principles of economy, would be immediately drawn. In the latter case the ratio of currency to coin would be as one to one; in the former, as five to one. If it be asked why would not the notes convertible into coin be held by the banks as the basis of their currency, instead of the coin itself, the reply is as obvious as it is conclusive; it is that the notes of the government may always be made legal tender in payment of demands against itself, and are always liable to be resorted to for such purpose; consequently, as it

costs no more to carry coin than the notes, the holders of these would always, as a matter of proper caution, draw the coin. From the very nature of things it is utterly impossible that a currency of coin should circulate alongside of a currency of legal-tender notes, no matter the present provision made for their payment. The right, both on the part of the government and the people, to avoid by their use the payment of coin, would always throw such a distrust over their value as to reduce it below that of coin, which in consequence would necessarily disappear from circulation.

Government is undoubtedly capable, with a moderate amount of coin, of maintaining a convertible currency in circulation equal in quantity to that of its revenues accruing within, say, ninety days; such revenues bearing the same relation to its notes that the merchandise represented by the bills of a bank bears to its notes and credits. The larger part of such currency would come into the possession of those who had revenues to pay, and would be held for such purpose. A smaller portion of it would find its way into the hands of those who might wish to convert it into coin to be held as reserves, or for export, or for use in the arts. Should it provide a sufficient amount of coin to meet the calls upon it last described, the whole issue—that is, an amount equaling the immediately incoming revenues—would be maintained at par, as the holders could

avail themselves of the constituent in whatever form desired; gold, so far as drawn, being the universal equivalent. To such extent, and to such extent only, can a government maintain a convertible currency in circulation.

SENATOR MORRILL. How can the policy of resumption be aided by Congress?

SECRETARY SHERMAN. I think that you can aid resumption very much if you will allow me to receive United States notes in payment of bonds. * * *

SENATOR JONES. Let me see if I understand you. Is your idea this: that if you were permitted to sell four per cent. bonds for currency, it would raise the value of currency?

SECRETARY SHERMAN. It would.

SENATOR JONES. And in that respect would aid you in resumption—it would extinguish to a certain degree the premium between gold and currency?

SECRETARY SHERMAN. Yes, sir.

SENATOR FERRY. You would substantially recognize currency, then, as equal to coin?

SECRETARY SHERMAN. I think it makes it so.

SENATOR VOORHEES. Why could not the government receive its customs duties in currency?

SECRETARY SHERMAN. I will answer that in a moment if you please. * * *

SENATOR FERRY. The process is to retire the higher rate interest bond, and put out the lower rate bond?

SECRETARY SHERMAN. Yes, sir; the saving in the difference of interest in six months would cover the extra amount paid as difference between currency and coin. I think another aid to resumption is very desirable. If you could make it clear by legislative enactment that the Secretary has the power to reissue United States notes after the 1st of January,

to the amount of $300,000,000, that would relieve the people, and relieve the whole country, from the fear which they have that the greenback currency is to be entirely destroyed. If we are to attempt, on the 1st of January, to pay off all these greenbacks as presented and to destroy them, I have my doubts of our ability. I think the law is perfectly clear now as to the power to reissue up to three hundred millions currency. * * * Another thing I would recommend, and this is in answer to Mr. Voorhees. I would, on the 1st of October next, receive United States notes in payment for duties, and yet provide for the interest on bonds in coin—in other words, I would assume on the 1st of October next that our notes were as good as gold and silver, and would receive them as such.

SENATOR MORRILL. Can you do that in the face of the solemn pledge on the statute-book.

SECRETARY SHERMAN. Yes. * * * If the note is the practical equivalent of coin it will be received as coin for interest, and we should take it as coin for duties. * * *

SENATOR BAYARD. What becomes of your law of 1862 ?

SECRETARY SHERMAN. It does not abrogate it.

SENATOR BAYARD. I think that declared that the duties should be made payable in coin, and they were specially pledged to this end.

SECRETARY SHERMAN. I know; but we pay the interest in coin.

SENATOR BAYARD. I know you pay the interest, but the underlying idea, to a certain class, has been to pay these duties in Treasury notes. If these were not redeemable, to do this would be a violation of that solemn pledge. * * *

SECRETARY SHERMAN. I want to state to Mr. Bayard that we are receiving customs now in a form of paper money. Our duties, nearly all of them, are paid in certificates of money; we pay out these certificates, and we pay but coin.

SENATOR BAYARD. The certificates actually represent gold,

otherwise there would be a breach of contract. Instead of taking gold, we take certificates of deposit.

SECRETARY SHERMAN. We receive greenbacks in the same way as gold certificates, payable after three months after the 1st of October next.

SENATOR BAYARD. I understand that is so, and I agree with you that whenever a greenback is equivalent to a certificate of deposit for gold, then it is a mere convertibility of terms.

SECRETARY SHERMAN. That is precisely what I would make it.

(The Secretary here read a letter from Mr. Gilfillan, Treasurer of the United States, in which he stated that the interest on the registered 5, 4½, and 4 per cents, are now paid in *coin* checks; and that the principal and interest on the called bonds were paid by coin checks, the past year to the amount of $127,124,450.)

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SENATOR FERRY. The Secretary stands upon the presumption assured by these facts, that on the 1st of January there is no question that he can on the volume now out resume, and as respects the greenbacks, it is simply a difference of form between them and certificates of coin, and, therefore, he says he would be ready on the 1st of October to receive the greenbacks in payment of duties, because he has or will have coin enough to meet maturing interest and resume.

SECRETARY SHERMAN. I never would receive the greenback for customs duties until I knew it was as good as coin, and I would be willing to run the risk of anticipating that for three months if that would help the matter.

Having shown how two metals, widely differing in value, may be made equal, by receiving them indifferently in the operations of the government,

the Secretary craves the privilege of raising, by a similar device, the notes of the government to the par of gold. To recognize them as equal to gold, he tells us, "makes them so." Armed with such power, he would anticipate by three months the appointed time of resumption. He would violate no law or pledge of the government by collecting and paying the interest accruing on the bonds in notes, as under the new régime there would be no difference between notes and gold. Already, he says, has this difference between paper and gold disappeared in some of the most important operations of government. The greater part of the duties are collected and the interest and principal of the public debt are now paid, not in coin, but in paper, the holders preferring it to coin. "You see," he exclaims triumphantly, "the equality of paper with coin already established: why not allow me to raise the notes as well as the coin-certificates of the government to the par of gold by using each equally in payment for bonds and for customs?" Mr. Bayard, rising to the spirit of the occasion, exclaims, "I understand that is so! And I agree with you that whenever a greenback is equivalent to a certificate of deposit for gold, then it is a mere convertibility of terms!" Mr. Ferry, equally pertinent and profound, and who, had he been the first to speak, might have been equally original, followed: "As respects the greenbacks, it is simply a difference of form between them and certificates of coin!"

All seemed equally to recognize that they stood at last in the full blaze of the financial millennium; that the hard and cruel distinction between the value of gold, wrought out of the earth at such infinite cost and toil, and an equal nominal amount of paper, the cheapest of human products, was forever done away. It was no longer a conference for deliberation, but a love-feast to celebrate final and full fruition. It is hard to disturb the childlike confidence and serenity with which the gravest problems were so quickly disposed of; but if the Secretary would make certificates of deposit and the legal-tender notes of the government like in result, is it not necessary for him to make them like in kind? A certificate of deposit represents a corresponding amount of gold especially set apart for its payment, and is payable on demand. It is purely commercial paper. The legal-tender note does not represent a corresponding amount of gold set apart for its payment, nor is it payable on demand. To make it payable on demand; to make it a certificate of deposit, a piece of commercial paper, involves the provision of gold equal to its amount. Is it safe to assume that a legal-tender note for $1,000, payable at the pleasure of the government, and for which provision has been made equaling only one-third its nominal amount, will have a market value equal to that of a certificate for a like amount, payable on demand, and for which full provision in gold has been made? If not, then the whole resump-

tion fabric of the Secretary falls hopelessly to the ground.

SENATOR KERNAN. About how much silver should there be in the country to have a fair supply of coin to pay all the duties?

SECRETARY SHERMAN. That is a doubtful question. If the coin is convertible into coin-certificates, I think \$10,000,000 or \$20,000,000 will do it.

SENATOR KERNAN. If there were \$20,000,000 in coin-certificates in existence, they would probably pay the duties, would they not?

SECRETARY SHERMAN. I think so.

The fact that \$20,000,000 of silver on deposit will suffice for the payment of all the customs duties certainly simplifies the situation, by showing how small is the amount of this metal required for so vast a service. That so little will be required shows the value of the Secretary's happy contrivance, by which, by means of certificates of deposit, all excess in the country over the \$20,000,000 required for the duties, may be maintained at the par of gold.

SENATOR ALLISON. In the event of a change in the balance of trade, so that our imports shall exceed our exports, beginning, say July 1st, and continuing to the end of the year, what probable effect would that have upon your ability to resume? or have you any machinery by which you can counteract any such influence that might happen temporarily during this interval?

SECRETARY SHERMAN. If the current of trade should be against us, it is pretty difficult to answer. If we had power to raise the rate of interest, we might check it. I do not

know that the government would be much affected by the balance of trade, and I think we could go on. It would undoubtedly be harder upon the people.

THE CHAIRMAN. Suppose there should or should not be a European war; would either have any effect?

SECRETARY SHERMAN. All such circumstances would have an effect upon merchants.

The Secretary has certainly the advantage of merchants in case of an adverse state of the foreign trade. These must pay in gold, in the currency of the nation by means of which all our payments to other countries are made. If a run be made upon him, all he has to do is to intrench himself behind a barricade of silver, which he declares to be not exportable for the reason that its domestic legal-tender value is greater than its exportable value; or should from any cause the silver defense be carried, all he has to do is to retire within the inner and more formidable citadel of greenbacks, and from such fastness hurl defiance at his pursuers. Such arts, so proper to the government of a great nation, do not become merchants, who must pay in gold or break.

THE CHAIRMAN. Don't you believe there will an expansion come upon us naturally or by action of the Treasury Department on the 1st of January? Will there not be more money in actual circulation after that period?

SECRETARY SHERMAN. I think and hope so.

SENATOR FERRY. Would not that produce a healthier condition?

SECRETARY SHERMAN. Yes, sir.

We can only reply:

> "Happy is your grace
> That can translate the stubbornness of fortune
> Into so quiet and so sweet a style."

SENATOR KERNAN. And your opinion is that authority to reissue the legal-tender notes should be expressly given by law.

SECRETARY SHERMAN. I think that authority to reissue, unquestioned and undoubted, would take away the fears of all classes of people: First, those in favor of inflation, who do not want the greenback destroyed; then, in the Eastern States, where they think we ought to retire the greenbacks and issue bank-notes instead, and believe that we are bound under existing law to pay the whole of the $300,000,000. And that we are not prepared to do.

SENATOR ALLISON. In other words, you think we cannot come to and maintain specie payments without the power to reissue?

SECRETARY SHERMAN. I do not think we can.

The conference with the Senate Committee here ended.

We now leave the august presence of the Senate for the freer and more invigorating air of the House. No sooner had the Committee on Banking and Currency,* the one of that body to which are

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* This committee consists of Mr. Buckner of Missouri, Chairman; Messrs. Ewing of Ohio, Hardenberg of New Jersey, Yeates of North Carolina, Hartzell of Illinois, Bell of Georgia, Hart of New York, Eames of Rhode Island, Chittenden of New York, Fort of Illinois, and Phillips of Kansas.

especially confided the monetary interests of the nation, heard of the interview with the Senate Committee, than they earnestly appealed to the Secretary that he would appear before them, and unfold afresh this wondrous gospel of salvation by faith in the material as well as in the spiritual world. Promptly responding to the call, he appeared before the House Committee on the 1st of April, 1878. As one session did not suffice for all the matters to be considered, a second was held on the following 4th of April. A communication had been previously addressed by the chairman of the committee to the Secretary, covering the points to which his attention was to be mainly directed. The first request was for a statement showing the amount of coin in the Treasury on the 28th of the preceding March, where located, and what deductions were to be made from it on account of actually existing demands against it. The Secretary replied that the amount equaled $134,920,080, of which $118,-351,709 was in gold coin, $7,937,300 in gold bullion, $5,675,494 in subsidiary silver coin, and $2,955,577 in silver bullion—the amount differing only slightly from that held on the 28th of the preceding February. In answer to the inquiry as to the amount of gold and silver coin and bullion in the Treasury, from 1865 to 1877, the Secretary professed his inability to reply, but stated the amount available for resumption, on the first day of February, 1877, to equal $11,936,771, and on the first day of Feb-

ruary, 1878, to equal $71,775,860, as already shown in his interview with the Senate Committee; the amount accumulated during the year equaling $59,839,089. In answer to the inquiry as to the amount of bonds sold up to February 1st, 1878, and not paid for, the Secretary replied that no bonds had been sold that were not paid for; that the amount of bonds sold under the Resumption Act had been as follows:

5 per cent Bonds of 1881	$17,494,350
4½ " " " " 1891	15,000,000
4 " " " " 1907	25,000,000
	$57,494,350

The amount of bonds issued on account of refunding was stated as follows:

5 per cent Bonds of 1881	$490,000,000
4½ " " " " 1891	185,000,000
4 " " " " 1907	55,000,000
Total	$730,000,000

Adding the amount of bonds sold on account of resumption, a total aggregate would be $787,494,-350.

In answer to the fourth inquiry, as to the usual annual amount of coin and liabilities of the government, the Secretary replied by giving the amount paid the last fiscal year:

Coin interest	$92,883,431
Amount applied to sinking fund	447,500
Amount paid diplomatic service	755,286
Amount paid foreign naval service	2,224,124
Amount of customs refunded	5,247,801
Amount for refunding national debt, etc	901,927
Total	$102,460,069

In answer to the fifth inquiry, as to the amount of fractional currency redeemed and carried to the account of the sinking fund, the Secretary replied that the amount so redeemed and carried in 1876 equaled $7,062,142; in 1877, $14,043,458; and in the present fiscal year, $3,382,621—making a total of $24,488,221.

The sixth inquiry related to the balances of the sinking fund, the answer to which is omitted as not pertinent to the main subject of the present inquiry—the means provided for and the conditions necessary to resumption.

After the preceding questions had been disposed of, the discussion took a wider range, Mr. Chittenden, one of the committee, leading the way by proposing to the Secretary the following inquiries:

First. With silver dollars and silver-certificates full legal tender for all debts, including the customs and the public debt, is not gold practically demonetized? and how will you renew your supplies or prevent its exclusive use as merchandise in foreign commerce?

Second. Is there no danger that the national banks, in taking care of themselves, will hoard greenbacks enough to ex-

haust your gold reserves when the day for resumption comes?

Third. Is it not probable that, before you have coined 100,000,000 of the new silver dollars, with greater activity in foreign trade, they will be exported at their bullion value to settle trade balances, and with what effect upon the price of silver bullion?

Fourth. Does not your success in resuming coin payments with our so-called double standard, depend absolutely upon an advance in the price of silver bullion in London to about 59 pence sterling per ounce?

SECRETARY SHERMAN. I believe we can maintain at par in gold a certain amount of silver dollars; precisely what amount I would not like to say, because that is a question of opinion. But I have the idea that we can maintain at par in gold no less than $50,000,000; perhaps more—say from $50,000,000 to $100,000,000; but whenever those silver dollars become so abundant and so burdensome that the people would not have them and would not take them, and that they would not circulate, then undoubtedly they would gradually sink to the value of the bullion in them. * * * Upon the second point: It may as well be understood that the national banks cannot throw upon the government the burden of redeeming their notes. The attempt would be suicide. They are bound to redeem their notes on demand at the Treasury with United States notes or coin, and to maintain in their vaults very large reserves of United States notes. Any effort of theirs to force the redemption of their reserves of United States notes in coin would at once cause the government to withdraw all government deposits from them, to present all bank-notes held or received by the government for redemption, and, if need be, to exchange United States notes for bank-notes.

Such a struggle as these gentlemen contemplate would

end in their losing their power to issue circulating notes at all. Their talk about forming a line to break the government is not discreet, and is not dangerous. I am more concerned about what you will do than about what they will do. The United States Government already holds a larger cash reserve for the redemption of its notes in proportion to demand liabilities than any bank represented by these gentlemen, and it has power to increase it. * * * With a coin reserve of $100,000,000 to $150,000,000 the redemption of $300,000,000 of United States notes would be easy, and that reserve could not be diminished to any considerable extent by the banks, or any combination of banks, without a continuous draft upon the banks to make it good. We can rely upon the intelligent self-interest of the banks to prevent such a struggle. Nothing could provoke it more quickly than threats by bank officers, and if such a struggle comes, the government, with its reserve, with ample revenue, and the power to sell bonds, can easily maintain resumption, without fear of a line of bank cashiers anxious to break the Treasury or to force high rates of interest.

On the last point: The power to reissue is plainly given by Section 3579, Revised Statutes, and is not cut off any more by the notes coming into the Treasury in exchange for coin than in payment of a tax. Even if the Supreme Court hold them as no longer a full legal tender, they are as much so as a bank-note. If the choice must be made between the two, the common interest would decide in favor of the United States note. I believe both ought to circulate and both be at par with coin. But nothing is so discouraging in the progress of resumption as for national banks to shrink from their share of the burden, or to make threats such as are stated by some of these gentlemen; and nothing is so injurious to the banking system, or will precipitate its overthrow more certainly, than a popular conviction that the banks are endeavoring to embarrass the government in maintaining resumption.

MR. CHITTENDEN. I did not hear anything on the part of those gentlemen with whom we conversed at the Sub-Treasury in the form of a threat, and I appeal to Mr. Ewing to confirm my impression. There was nothing of that kind intended, I am sure. These gentlemen simply expressed the opinion that in an attempt to resume with any stock of gold that you were likely to have, the gold would be transferred to the banks naturally.

MR. EWING. That was it.

MR. CHITTENDEN. There was nothing like a threat?

MR. EWING. No; on the contrary, there was a great desire manifested on the part of the bankers to make resumption safe.

SECRETARY SHERMAN. I have written propositions from these gentlemen, and from Mr. Coe himself, that if I will give them 4½ per cent. bonds instead of 4 per cents, they will guarantee resumption. * * * Now, in regard to the reserve that is necessary, there is a difference of opinion. I would like to have so strong a reserve that there would be no question of our ability to resume, and I think (as I stated to the Committee on Finance of the Senate) that if I can have a reserve of one hundred and thirty millions, or, in other words, if I can increase my present reserve about fifty millions, I do not see how it is possible to prevent us from resuming. If it were known to-day that it was certain, I should have such a reserve by the 1st of January, and if it were certain that Congress would be willing to stand by the experiment of resumption, we would have resumption at once.

MR. EWING. Neither of which can be made certain.

SECRETARY SHERMAN. Yes; if I could sell the bonds and get the reserve, the thing would be made certain in 24 hours.

The reply to Mr. Chittenden's first question that upon the issue of $50,000,000 of legal-tender silver dollars, their value would sink to that of the bul-

lion they contain, conclusively shows that resumption cannot be had upon the basis of gold, this metal being certain to be speedily driven out of the country by the cheaper currency of silver. The Secretary will not have to wait till $50,000,000 be issued; the distinction will show itself broadly enough with $10,000,000. The notes of the government are speedily to be made receivable in the revenues, so that silver will not be required for this purpose. It will derive, therefore, no value from any accidental necessity for its use. Its value here will be its value in the London market; its exchangeable value compared with gold will, unless the Secretary possesses creative power, be its bullion value. The Secretary might as well assume that the price of cotton in this country could, for domestic purposes, be maintained at 20 cents a pound, although its value in the Liverpool market equaled only 10 cents a pound, as to assume that the price of silver when made full legal tender for domestic use, could be make greater than its exportable value. If he would resume upon a metallic basis at all, the first step for him to take would be, as already remarked, to convert, with all possible speed, his gold into silver; but this in the end would accomplish nothing, as his greenbacks would speedily fall to a discount in reference to silver, as promises to pay capital at a future day can never equal capital in hand. He would have the same difference between silver and his notes as now ex-

ists between gold and his notes. The impossible problem of making a part equal to a whole would still confront him.

The Secretary asserts that "The banks cannot throw upon government the burden of redeeming their notes; the attempt would be suicide." The banks, so far as combination is concerned, will attempt nothing of the kind. The government notes will be presented for payment in obedience to a far higher law than any that the banks can enact. There was never a contract made by our government for payment that was not presented for payment according to its tenor. Its creditors will no more release it from its obligations than will those of banks from their obligations. If it issues bonds, it must contract to pay, and must pay them as they fall due. If it issues notes as money, it must take these in as they fall due (that is, when such notes, like those of banks, have performed their circuit as currency). The moment it undertakes to resume, its notes will obey the laws of all convertible currencies. It will, like all issuers, have to enact its proper rôle. The banks becoming possessed of its notes will demand payment. Such of their notes as come into its possession will be demanded for payment. The balance resulting, after mutual offset, must be paid in coin. If the Secretary undertakes to resume on a provision of $120,000,000 of coin, and if he pays gold, he will find that there

will be far greater haste than method in the presentation of his notes. The results will be precisely the same as if a bank of issue should attempt to resume with available assets equaling only one-third its liabilities. The presentation of his notes will simply be a struggle for precedence. It will not make the least difference, so far as the government is concerned, whether the banks are active or entirely passive. They owe their depositors over $600,000,000, all of which, upon resumption, is payable in coin. The largest of these depositors are merchants and bankers engaged in foreign trade, whose transactions must all be made upon the basis of gold. They are not going to wait the effect of an adverse turn of the exchanges before taking any steps to meet it. They will not delay an instant in putting all their cash assets, whether of government or of bank issues, into gold—into that which can be used in their operations at the same value in every country in the world. Their deposits exceed the whole provision to be made by the Secretary for resumption. They will take timely warning from his statement before the Senate Committee that government could not be injured by an adverse state of the foreign trade, the reason being that if gold was demanded in great quantities, it could pay silver; and if silver was demanded in great quantities, it would pay nothing.

Even should the Supreme Court decide the gov-

ernment notes to be no longer full legal tender, they would, the Secretary tells us, "be as much so as bank-notes. If the choice must be made between the two, common interests would decide in favor of the United States notes." Let us see: When upon a specie basis, every borrower at bank contracts to pay his note at its full face in coin. He does so for the reason that the notes he receives secure to him an equal value with coin. In other words, the means for the retirement of such notes are provided previous to their issue. How with those of the government? The provision for their immediate conversion into coin equals only one-third their nominal amount. Ordinarily the notes of banks are at the par of coin. They suspended in 1837, and remained in suspension for about a year. In 1858 they again suspended for a few weeks; the notes of those of the cities of New York and Boston never being at a discount of more than one-half of 1 per cent. If they were not ordinarily payable in coin, no one would receive them, for every one contracting to receive them obligates himself to pay a corresponding amount of coin. The public may be well trusted in the matter of securing a corresponding equivalent for their engagements. The normal condition of all banking currencies is an equality with coin. What government notes would be without the legal-tender clause was well set out by the Secretary in a speech delivered in the Senate of the United States, on

the 13th of February, 1862, in support of the first legal-tender bill.

"If you strike out this tender clause, you do it with the knowledge that these notes will fall dead upon the money market of the world; that they will be refused, as they are now refused by the banks; that they will be a subordinate, disgraced currency that will not pass from hand to hand; that they will have no legal sanction; that any man, whether a Jew broker or any other of the numerous kinds of brokers described by the Senator from Massachusetts, may decline to receive them, and thus discredit the operations of the government. I ask again, if that is just to the men to whom you have contracted to pay debts? When you issue your demand notes, and announce your purpose not to pay any more gold and silver coin, you then tender to those who have furnished you provisions and services this paper money. What could they do? They cannot pay their debts with it; they cannot support their families with it without a depreciation. The whole, then, depends upon the promise of the government to pay at some time not fixed on the face of the note. It is, then, an era of irredeemable, depreciated paper money." *

Such is government money without the legal-tender clause. The Secretary was speaking from facts staring him in the face. In 1861, upon the issue of bonds to carry on the War of the Rebellion, permission was given to the Secretary of the Treasury to issue what were called demand notes (not legal tender) to the amount of $50,000,000, the Secretary undertaking to maintain them at par by

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* *Congressional Globe*, Part 1st, 2d Session, 37th Congress, p. 789.

redeeming such as were presented in coin. When the banks were broken he could no longer redeem. His notes fell to a discount considerably below that of bank-notes, although they were receivable in the payment of customs duties equally with coin, while bank-notes were not so received. To raise the value of the government notes, the amount outstanding at the time being $33,400,000, they were made by a special act legal tender in all contracts. In this way the value was brought up to that of bank-notes, for which they were to serve as reserves.

Why should the banks combine to break the government? Are they not the holders of $400,-000,000 of its bonds, and $100,000,000 of its legal-tender notes? Is there any way in which their interests could be so advanced as by an increase in the value of such an enormous mass of securities? Is there any class in the community that have given such guarantees for an earnest and efficient support of the government? Is there a class in the community so much interested in resumption as the necessary condition of maintaining the value of their assets? In the struggle with the banks, which the Secretary sees to be impending, his importance will be that of the fly on the coach-wheel. All his notes, on an average, come into the possession of the banks within periods of ninety days. Within such time, if he were on a specie basis, all would be presented for coin.

Within such time he might perhaps come into possession of, say, $30,000,000 of the notes of the banks. In case of a run upon each other, the banks could present ten dollars to his one. As to reserves, he has nothing else, while the banks can take in every dollar of their liabilities without touching their reserves. He cannot get in a dollar without reducing his in equal ratio.

The Secretary proposes to resume on the amount of notes, $347,848,712, outstanding April 1st, 1878, less the amount retired by the operations of the Resumption Law. This provided for the cancellation of notes equaling 80 per cent. of the amount of new banking currency issued. The amount of notes so retired equaled, in 1875, $10,231,124; in 1876, $5,773,792; in 1877, $16,111,308; and for five months of 1878, $3,100,466. At the rate of reduction so far, for 1878, the amount of notes outstanding October 1st will be $344,248,712; and on January 1st, 1879, $342,388,712. The latter is the probable amount on which resumption is to take place, and the amount upon which the Secretary would undertake to resume *in twenty-four hours*, provided he could sell, for gold, $50,000,000 of bonds. This sale has been made, so that he is, on his part, fully prepared to resume on the amount of the outstanding notes. Hence the bill, subsequently introduced, with his approbation, for receiving the notes in payment of the customs duties.

MR. EAMES. I desire to present to the committee, in the presence of the Secretary of the Treasury, a consideration which, I think, is important in determining the question whether the government can resume or not in January, 1879. There is now outstanding about three hundred and forty-seven millions of greenbacks and three hundred and sixteen millions of national-bank notes, amounting together to some six hundred and sixty millions of paper currency. That is now used for the purpose of the business transactions of the country. The point to which I wish to direct the attention of the committee and of the Secretary of the Treasury is, whether the three hundred millions of legal tenders are not absolutely requisite for the business purposes of the country, and whether, therefore, there will be any very great desire to exchange them for gold.

SECRETARY SHERMAN. I do not think we have a great excess of currency now. These bankers say that there is not enough of currency. So long as there is a want of confidence in our ability to resume, it is likely that the greenbacks will be presented for redemption to some extent; but if we were so strong that the public mind was satisfied of our ability to resume, there would be no motive to present notes for redemption (especially when they may be redeemed in silver). Then, I agree that these notes will not be presented. * * * I am inclined to think that we can maintain the present volume of circulation—six hundred millions—but that is a larger paper circulation than was ever maintained by any other country. That is a question for the banks to decide for themselves. * * *

Why did not Mr. Eames ask, and the Secretary state, the amount of bills of exchange required for use in the commerce of the country, assuming a fixed and definite amount to be necessary? The proper answer would have been, an amount necessary to

represent the merchandise passing to and from other countries. One should equal the other. Where there was no constituent, there should be no bills. So with a domestic currency. It should equal, or rather should never exceed, the merchandise fitted for consumption. The proper rule for its issue being established, the amount will take care of itself. The danger is that there will always be too much, instead of too little, currency in a country. Every dollar of government notes is too much, as it has no constituent but debt; and debt without interest can never be raised to the par of coin.

MR. EWING. You certainly cannot assume that, because you have had that accumulation of coin in the Treasury heretofore when there was no redemption of legal-tender notes, you will continue to have it after redemption begins?

SECRETARY SHERMAN. I think we can assume if, when gold was not in circulation, there was a gold balance in the Treasury subject to demand without much variation, that, when all transactions are based on coin or paper redeemable in coin, this coin will remain in the Treasury. I believe that one of the first effects of resumption will be to increase the deposit of coin in the Treasury, because paper will be so much more convenient in all the transactions of life that paper will be used and the coin will be deposited with us. The Sub-treasury in New York will be, like the Bank of England, the place of deposit for all the coin of the country; and coin-certificates or greenbacks will be used for all current transactions, leaving the coin only to be drawn to meet the demands of foreign trade or the mutations and changes of supply and demand.

THE CHAIRMAN. That would depend entirely upon the balance of trade ?

SECRETARY SHERMAN. Very much.

THE CHAIRMAN. That would be the key to the situation?

SECRETARY SHERMAN. Yes, sir.

MR. PHILLIPS. You state that we have coin interest to pay to the amount of ninety millions a year. Do you think it would be safe to undertake resumption with that burden resting upon us ?

SECRETARY SHERMAN. Clearly. If we have the power to reissue legal-tender notes at par, and the power to sell bonds, if necessary, we can undoubtedly keep the notes at par. Redemption would not go far before legal-tender notes would become scarce. I have stated that there were $70,000,000 of those legal-tender notes in our vaults, and there are also $70,000,000 of them in the custody of the national banks, whose interest it would be to keep them in their vaults.

MR. PHILLIPS. Would it not be more to their interest to have the coin ?

SECRETARY SHERMAN. These legal-tender notes are scattered all over the country. * * *

MR. PHILLIPS. The interest of the banks to get the gold might prompt them to send in these greenbacks for redemption.

SECRETARY SHERMAN. If you ask me whether 347 millions of legal-tender notes can be all paid with a hundred millions of coin, if they are all presented on the same day, I will say no; but, with 600 millions of currency, you cannot purchase all the wheat and corn in the country in the same day.

MR. PHILLIPS. Will not the mere act of resumption create a demand for gold which does not now exist ?

SECRETARY SHERMAN. On the contrary, I think it will diminish the demand for gold. What would they want gold for ?

MR. PHILLIPS. These banks may wish to resume.

SECRETRY SHERMAN. They would rather resume in greenbacks. They deposit their gold with us for safe-keeping.

MR. FORT. Would there not be a temptation for the banks to exchange their greenbacks for gold ?

SECRETARY SHERMAN. I do not see what object they would have in doing it.

MR. FORT. They would do it merely for the premium.

SECRETARY SHERMAN. But there would not be any premium. * * *

MR. EWING. It strikes me that the addition of seventeen or eighteen millions, drawn from these four items, is not safe in calculating the resources for resumption.

SECRETARY SHERMAN. I think that if you ask any banker in New York how much of that fund is available for resumption purposes, he will put it higher than I do.

MR. EWING. As a banker ?

SECRETARY SHERMAN. As long as we are issuing United States notes, redeemable on demand, we are in the banking business.

MR. EWING. And take the bankers' chances ?

SECRETARY SHERMAN. We do it as a matter of course. We save the interest, and have to do as bankers do.

The Secretary assumes that, as a certain amount of coin remained in the Treasury, represented during suspension of payments by certificates, a far greater amount will remain in it after resumption, the government notes being a more convenient currency. Suppose he were to issue certificates similar to those now used to the extent of $340,000,000 upon a deposit of $120,000,000, making them legal tender to be paid out by him to suit his convenience or necessities, upon demand for, and in place of coin. Would they circulate at

the par of coin? Instead of this, would not only deposits cease to be made, but would not every holder seek, if possible, to draw the coin? Gold is now deposited in the Treasury as a matter of convenience in the payment of duties; payments in such case being little more than a matter of book-keeping. It is hardly possible that government should not receive its certificates of deposits in payment of the revenues. So long as it is believed that they will be so received, coin may continue to be deposited. The certificates are assumed to represent specific sums which cannot be appropriated to any purpose but their payment. It will be wholly different with the gold held for the greenbacks: these are not certificates of deposits of coin especially set apart for their redemption, and which the government can apply to no other use. Why upon resumption should any considerable amount of coin be deposited with the government? What would be received in exchange? Greenbacks—having a provision for payment equaling one-third their nominal amount. Would not the holders of coin take it to banks which, by using it as a reserve, could discount the bills of those taking it to them to an amount five times greater than that of the gold deposited? The Secretary wholly misconceives the function of gold in relation to a currency. It is not, nor will it ever be, the basis of a currency. Its use is to supplement such basis—merchandise—precisely as the reserves of a drawer

of bills are held to take in such as may not be paid, or to meet any reclamation on account of a deficit of that against which the bills were drawn. If coin were to be loaned, the thing itself would be loaned, instead of resorting to the expensive and cumbrous process of issuing notes against it. Whatever the amount of gold in the country not required in the arts, or by way of change, or as reserves for individuals, this will always be held by banks and bankers in support of their issues. All not required for the purposes named will be exported. Government is not a discounter of paper. It has no occasion to hold a dollar; nor can it hold a dollar, in addition to that required in the discharge of its ordinary and proper duties, that can be drawn. Any accumulation it might make would only serve as the source of supply for those who could put it to its proper use, for which government has no function whatever.

The statement that upon resumption the public Treasury is to become the depository of the coin of the nation is too absurd to be mischievous. A statement of a much graver character, from having unfortunately a semblance of truth, is that the government of the United States is in the "banking business!" enacting a rôle which no other government ever yet attempted, and which, it is to be hoped, after our experience, no other government ever will attempt. What is a banker? One who

receives on deposit the money of others, allowing usually a moderate rate of interest, and reloaning it at a higher rate, the difference being his profit. What has the government to loan? Nothing. What does it propose to loan? Nothing. It issues its notes, which are neither capital nor the representative of capital. It receives no interest on them, for the reason that they do not secure to their holder an equal nominal amount of capital. If any other "banker" should attempt a like rôle, he would be hooted out of the country as an impostor and fraud. What if all of our bankers conducted their operations in a similar manner? Would not all our interests be speedily involved in utter confusion and ruin? Are not the depression in business and the financial and commercial disasters of the past five years in great measure due to the entrance into the field of affairs of this new banker, colossal in his proportions, whose capital is debt created some sixteen years ago to supply the waste of war, the evidences of such debt being made the basis of the whole financial system of the nation? That the Secretary's statement that this new banker is not only to remain in business, but is to become the centre of the financial and monetary operations of the country, should not have challenged a word of opposition or criticism, on the part of either of the two most important committees of Congress, but, on the contrary, should be received with expressions of entire approbation

and assent, shows how little understood is the mighty problem now agitating the country, and to what a desperate pass the nation has fallen.

MR. EWING. That $45,000,000, assumed to be held by the national banks, and whatever amount you have in the Treasury belonging to the United States applicable to resumption, represents the whole preparation for the redemption of the $647,000,000 of paper money ? * * *

SECRETARY SHERMAN. The banks do not have to redeem any notes in gold ; they redeem in United States notes.

MR. EWING. After all, the problem is to float $647,000,000 of paper money redeemable in coin.

SECRETARY SHERMAN. Yes.

MR. EWING. Now, is not the drain upon the government practically the same to the extent of the aggregate of the greenback circulation ($348,000,000), as though the entire circulation were money ?

SECRETARY SHERMAN. I say no, emphatically ; and all experience in other systems of banks would also say no. *The truth is, the Government of the United States has nothing to do with the banks any more than it has to do with the other corporations and merchants of the country.* The banks are as separate and distinct corporations as they can possibly be made. *The United States has got to redeem $348,000,000 of legal-tender notes, or to make them at par with coin.* You recollect what I said before, that we have seventy millions undisputed money in coin.

MR. EWING. I beg leave to say that I regard the statement as incorrect.

SECRETARY SHERMAN. I say no ; you have no confidence.

MR. EWING. I have met very few who have confidence.

SECRETARY SHERMAN. I say that if you strengthen this reserve from seventy millions to from one hundred and twenty millions to one hundred and fifty millions, with power in

the Secretary of the Treasury to sell bonds if necessary, and with power to reissue greenbacks, there is no danger of breaking the government. I do not think that anybody desires that.

MR. EWING. My question was this: Whether the General Government, to the extent of its whole paper circulation outstanding, must not respond to the demands of the holders of the $647,000,000 of paper currency for conversion into coin?

SECRETARY SHERMAN. The government is bound to respond, to the extent of the amount of United States notes outstanding, but not one step farther.

MR. EWING. Of course not.

SECRETARY SHERMAN. Very well. That is only $300,000,000. It is just as if Great Britain was behind that $300,000,000 of bank-notes—a separate and distinct power. We are under no obligation to redeem the national-bank notes. * * *

MR. EWING. Suppose that through lack of confidence in your ability to maintain resumption, with the small accumulation of gold that you can obtain, there should be a demand for fifty millions of coin in any one month in New York.

SECRETARY SHERMAN. It is scarcely a supposable proposition that you put to me that they could gather together in one mass an amount of legal-tender notes to break the Treasury if this reserve is anything like what I say. * * * The idea of accumulating $75,000,000 or $100,000,000 of United States notes and carrying them to the Treasury in the course of a month is practically impossible. The commencement of such a scheme as that would make legal-tender notes so scarce that it would be impossible to get them, and the very scarcity would increase their value so that they would be equal to coin.

MR. EWING. They could very readily present at least their coin-certificates for redemption.

SECRETARY SHERMAN. Where are they? Scattered all over the country. The whole amount of money, including

currency certificates in the city of New York, which is the great commercial deposit of the country, is only twenty million dollars, and they never get more than that. That is the amount of the aggregate. If they gathered every note and every certificate in all the national banks of New York, they would not amount to twenty millions of dollars ; and is it to be supposed that they would do that ? Unless you maintain that we require to have as much gold on hand as there is paper money outstanding before we can have resumption, I do not see any difficulty about it.

The idea of the Secretary in the preceding paragraphs, if any idea can be gained from them, seems to be this: If government be strong enough to inspire confidence, none of its notes will be demanded in coin—not one dollar in a hundred, as will be seen farther on. If upon a demand for a million, he can reply with "Sir, you can have fifty millions!" such assurance of strength, he assumes, will put to shame and drive from his presence, and before a dollar be drawn, every disturber of his and the public quiet. So long, he claims, as confidence is maintained, no one will draw, or wish to draw, a dollar of coin, from the greater convenience of notes, and from their being so scattered up and down the country that it will be almost impossible to get together any considerable sum; and from the fact that as soon as a small quantity is drawn, they will become more valuable from their scarcity than gold. In reply to all this it has been sufficiently shown that all paper money, whosoever the issuer, will be drawn in the ordinary

course of business, say within ninety days, for the sake of reaching its constituent. If issued against merchandise, the ordinary subjects of consumption, this will be presently taken for consumption. If issued against coin, this will be presently drawn to be applied, as capital, to its proper uses—to be exported, to be used in the arts, or held as reserves by corporate or private issuers of currency. Government cannot ordinarily put it to such uses as these, at least with the same advantage as the public. It is not in trade; it is not engaged in the production of merchandise; it cannot discount bills drawn against such merchandise, holding its coin in reserves for issues equaling say five times its amount. Should it attempt to compete in the issue of currency, providing a proper basis therefor, it would be speedily and ignominiously driven from the field. It might just as well hope to compete in the cultivation of crops for sale, or in the production of merchandise, as to attempt to do so in the proper and legitimate use of the precious metals, so far as relates to the issue of paper money or to production and trade.

As banks must resume with the government, what amount of reserve must they hold to resume with safety? Ordinarily, that is in periods of quiet and prosperity, the proportion of coin reserves to liabilities, deposits as well as notes, equals in this country one-fifth, or twenty per cent. Upon resumption,

after suspension, the proportion of reserves is always to be largely increased to meet extraordinary calls to which the banks may be exposed. Their liabilities are all due on demand. The greater part of their means is in their bills receivable, payable at a future day. Their issues, or a portion of them, from apprehension excited by the remembrance of past disasters, or distrust in the present soundness of the community, or of the solvency of any considerable portion of the makers of the bills discounted, are liable to be immediately presented for coin. Upon resumption, therefore, reserves considerably exceeding the average have to be accumulated and maintained till the general solvency is established and confidence fully restored. The Bank of England, when it resumed in 1821, held £11,233,000 against £26,051,000 of notes and deposits, the proportion of reserves to liabilities being 43 per cent. Upon final resumption in 1843 after the suspension of 1837, the banks of the United States held $33,515,806 of coin against $114,732,226 of notes and deposits, the proportion of coin to liabilities being about 29 per cent. When they resumed after the suspension of 1857, they held $104,537,818 of coin against $341,140,693 of notes and deposits, the proportion of the former to the latter being the same as in 1843. The notes and deposits of the national and State banks at the present time equal $1,250,000,000. To resume, therefore, with any degree of safety, they must hold

coin reserves equaling fully $300,000,000. From what source is this vast sum to be supplied? They now hold, including certificates of deposits, say $50,000,000. The Secretary proposes to accumulate in addition, say $125,000,000, the two sums equaling $175,000,000. Assuming the whole amount of his provision to be available, there will still be a deficit of $125,000,000. Where is this to come from? But the accumulations of government are by no means to be counted upon by the banks, as in case of a heavy run upon it, the government, as the Secretary declares, would suspend. There is no coin in the country outside the banks and the Treasury. Resumption, therefore, upon his programme, either by the government or by the banks is an impossibility. The government cannot resume without full provision for its notes; the banks cannot, without a provision in coin, or of government notes, to serve as their reserves, of at least $300,000,000. To attempt such a step upon the provision to be made is simply to court defeat and disaster. The Secretary cannot imagine why the banks should want to draw his coin, for the reason that he appears to have no conception of the nature and laws of a symbolic currency. He regards money, whether of coin or paper, as only a scale of valuation, an instrument for determining the relative price of the subjects of exchange; forgetting that when intrinsic it is always one of the subjects of exchange; and when symbolic, that which it represents must, when the

symbol is used, become a subject of exchange; the symbol always disappearing by the use of the constituent. He will find, when he attempts to resume, that he is no longer in the land of dreams and shadows, but of stern realities; that every note which he issues, will, in the ordinary course of business, speedily return to him for payment; and that a graceful genuflection, or courteous wave of the hand, will not, as he now assumes, be accepted as the equivalent for $340,000,000 of solid gold.

"The Government of the United States," says the Secretary, "has nothing to do with the banks, any more than it has to do with other corporations and merchants of the country." The exact opposite is the fact; it has to do with them as it has with no other corporations or merchants of the country. The government is an issuer of currency; the banks are issuers of currency based on that of the government. Its notes are by law their reserves wherewith to discharge their obligations. The banks must upon resumption pay in coin, as well as in the notes of the government, their deposits as well as their own notes, They are required to hold a certain amount of government notes as reserves against their deposits. For the whole amount of the liabilities of the banks, the government, if called upon, must supply the coin. The two form one system inseparably connected. If the Secretary would resume, he must carry the banks upon his own shoulders; that is, he must, by virtue of issuing

their legal-tender reserves, provide whatever coin they may need in their operations. But the government must hold reserves as well as the banks. Its reserves must equal the whole amount of its liabilities, as it has nothing but its reserves for the discharge of its notes. The banks hold, in addition to their reserves, ample means for the discharge of all their liabilities. The government, consequently, instead of being able to help the banks to the extent of a single dollar, must provide for itself an amount of coin equal to its outstanding notes. Should it do this, and could the banks draw it, they could resume, and maintain resumption; but resumption by them would retire every note of the government. In fact, resumption by banks is possible only by the complete abandonment of the field by the government as an issuer of currency.

MR. EWING. The Bank of England has on hand in gold coin and bullion $120,000,000, and in the banking department $59,000,000 of notes.

SECRETARY SHERMAN. According to that the Bank of England has got $179,000,000 with which to pay $266,000,000. The total amount of demand liabilities on us is $407,000,000, and the total amount of coin and currency on hand $208,000,000. Add to that such an additional reserve as I propose to accumulate of $50,000,000, and it would make it $258,000,000 to meet $407,000,000, which is just about the proportion, according to the figures you give me, of $179,000,000 held by the Bank of England to meet its liabilities of $266,000,000. The disparity is not so great. * * *

Mr. Ewing. Will the reissue of legal-tender notes help you to maintain resumption?

Secretary Sherman. Yes; to have the power to reissue them; for if the greenbacks can be retained at par, and we can reissue them, it will save us from issuing bonds. We would only reissue greenbacks in exchange for coin or its equivalent. We would reissue them in payment of coin interest, but, as a matter of course, we could not reissue them unless they were equal to coin, just as the Bank of England would not issue a single note unless it was worth gold. We go on the supposition that the legal tenders are on par with gold. * * *

Mr. Ewing. You would reissue them for the purpose of increasing your coin supply?

Secretary Sherman. Yes, sir; practically. The public would be very willing to take the greenbacks if they were at par with coin, and as a matter of course they would be substitutes for coin.

Mr. Ewing. Did I understand you to say that a demand for half of twenty-five million pounds sterling on the Bank of England would break the bank?

Secretary Sherman. I do not know how much the reserve of the Bank of England is now, but the Bank of England, like all banks, owes vast amounts of demand liabilities besides their notes. It holds the deposits of England. Every banking house in England almost has an account in the Bank of England; and, therefore, the danger which threatens the Bank of England would be the calling in of the deposits, and if notes to the amount of ten million pounds sterling were presented, in addition to the call of depositors, there would be such a draft upon the resources of the bank, that the bank would have to suspend. *But the advantage of our government now is that we have no demand liabilities not covered by actual money on hand.* * * * Take the demand liabilities upon the United States and add them all together,

and then take all the money that we have got in the Treasury, and, I repeat, we are in a better condition than the Bank of England is.

The Treasury of the United States, says the Secretary, is stronger than the Bank of England, for the reason that the former has no liabilities not covered by actual money in hand. The demand liabilities of the Bank of England are its whole indebtedness—its notes and deposits. Those of the Treasury are its certificates of deposit of a corresponding amount of gold and appropriated balances, liable at any moment to be drawn. All these are covered by cash in hand. *The legal-tender notes are not demand liabilities.* They are payable only at the pleasure of the issuer. In this view, the Treasury is stronger than the Bank, as the latter must cash all its liabilities as presented or break. Its notes are not legal tender in the payment of its own indebtedness. But is the superior strength of the Treasury, resulting from the fact that its notes are not demand liabilities, likely to help the Secretary to maintain the notes at the par of coin?

In proof of the superior strength of the Treasury over the Bank, the Secretary offered the following tables illustrative of the condition of the latter, as it was on the 28th of February, 1878:

ISSUE DEPARTMENT.

Notes issued............	£38,698,020	Government debt.........	£11,015,100
		Other securities..........	3,984,900
		Gold coin and bullion.....	23,698,020
	£38,698,020		£38,698,020

BANKING DEPARTMENT.

Proprietors' capital.......	£14,553,000	Government securities....	£15,203,201
Rest......................	3,414,161	Other securities..........	17,672,338
Public deposits, including Exchequer, savings banks, commissioners of national debts and dividend accounts..................	6,524,776	Notes....................	12,368,965
Other deposits............	21,529,721	Gold and silver coin......	1,032,773
Seven-day and other bills.	255,619		
	£46,277,277		£46,277,277

Dated February 28, 1878.

F. MAY,
Chief Cashier.

THE OLD FORM.

The above bank accounts would, if made out in the old form, present the following results:

Liabilities.		*Assets.*	
Circulation (including bank post-bills)	£26,584,674	Securities.................	£33,322,539
Public deposits..........	6,524,776	Gold and bullion..........	24,730,793
Private deposits	21,529,721		
	£54,639,171		£58,053,332

The balance of assets above liabilities being £3,414,161, as stated in the above account under the head "Rest."

Now, continued the Secretary, in regard to the United States, I have a statement here showing the apparent and probable condition of the United States Treasury on April 1, 1878, and on the 1st of January next. The only difference in these statements is that I add to the present condition of the Treasury the proposed accumulation of fifty millions of coin, and a substantial payment before that of the fractional currency. I think it will be practically redeemed before that time. The actual results show the amount of demand liabilities on April 1, 1878, against the United States as $460,527,-374, and they show the demand resources, including coin and currency, at $174,324,459, making the percentage of resources to liabilities 38. To show the probable condition of the

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Treasury on the 1st of January, 1879, I add the fifty millions of coin and I take off the fractional currency, and deduct estimated United States notes lost and destroyed, leaving the other items about the same. That would show an aggregate of probable liabilities of $435,098,400, and probable cash resources of $224,324,459, making 51 per cent. of the demand liabilities. The ratio of the Bank of England, at this time, is 45 per cent.

Statement showing the apparent and probable condition of the United States Treasury, including the proposed accumulation of $50,000,000 *coin.*

	Apparent.	Probable.
Demand liabilities,	April, 1878.	January, 1879.
Legal-tender notes	$347,848,712 00	$340,000,000 00
Coin-certificates	57,883,400 00	57,883,400 00
Interest overdue	4,121,146 77	4,000,000 00
Debt, matured and interest	8,439,391 04	8,000,000 00
Currency-certificates	25,215,000 00	25,215,000 00
Fractional currency	16,950,115 62	....
Demand notes	62,342 50	....
Unclaimed Pacific Railroad interest	7,267 03	....
Totals	$460,527,374 96	$435,098,400 00
Demand resources,	April.	January.
Coin	$138,357,608 14	$188,357,608 14
Currency	35,966,851 35	35,966,851 35
Totals	$174,324,459 49	$224,324,459 49
Percentage of resources to liabilities	.38	.51

It will be seen from the statement of the condition of the Bank of England, that while it has coin reserves equaling 45 per cent. of all its liabilities, it has available securities in bills receivable, the greater part of them speedily to fall due, far exceeding all its liabilities. To have all the latter

taken in, it has only to cease discounting for a period of sixty days. It will then not only be free from debt, but have a large amount of cash in hand. The Secretary, in his statement of the financial condition of the United States as an issuer of currency, shows that it will have in hand, on the first day of January, 1879, $224,324,459, wherewith to meet $435,098,400 of immediate liabilities; the reserves in his care equaling 51 per cent. of his immediate liabilities, or 6 per cent. greater than those of the Bank of England. But where are the securities to take in the $210,773,941 of immediate liabilities in excess of his reserves? To be rhetorical, we might say, "We pause for a reply!" Suppose he should cease to make any further issues for sixty days, what would be his position? Every dollar of his coin would be drawn, leaving him with liabilities exceeding $200,000,000, to meet which he would not have a dollar. So much for the comparative strength of the Bank of England and the Government of the United States, as issuers of currency.

In regard to our national banks, continues the Secretary, here are some statements which are interesting to me, and which were prepared in consequence of our interview the other day. I think they will be interesting to the committee. The first paper contains the circulation and deposits and specie of the State banks in 1857 and 1860, as compiled from statements in the finance report of 1876, pages 204 and 205. The next paper contains the circulation, deposits, and cash reserve of the national banks on the 28th day of December, 1877.

The latest statement of the banks I cannot give you, because it is not yet made up. It was made in March last, and the returns are not fully in. This statement shows a general demand liability of $960,816,052, and it shows a total cash reserve of $145,019,338. The ratio of legal-tender funds to the amount of circulation is 48.4 per cent. The ratio of legal-tender funds to circulation and deposits is 15.1 per cent. The next paper exhibits the circulation, deposits, and cash resources of the national banks on December 28th, 1877, on a different basis, counting the amount of national bonds owned by the banks and deposited with the Treasurer as money. This other table excludes them entirely. This gives the same figures, but counting the bonds at their nominal par as money, it shows this result: Total amount of liabilities, $960,816,052, and total amount of cash resources (including four hundred and five millions of bonds) at $550,201,055. The ratio of cash resources to circulation is 183 per cent., and the ratio of cash resources to circulation and deposits is 57 per cent.

MR. EWING. Do you think that the bonds can be counted as cash?

SECRETARY SHERMAN. Yes; the bonds are all worth par or above in gold.

THE CHAIRMAN. The other cash held by the banks is legal-tender notes?

SECRETARY SHERMAN. Yes, and coin.

MR. EWING. Do you think it safe to count these bonds as gold? Is it possible to convert them into gold?

SECRETARY SHERMAN. Oh, yes. * * *

MR. EWING. But I want to know now if you make up that table on the theory that these four hundred millions of bonds can be turned into gold for the purpose of resumption?

SECRETARY SHERMAN. I make up my statement on the theory that four hundred millions of bonds will more than pay *four hundred millions of bank-notes at any time.*

The bonds of the United States are deposited in the Treasury, as security for the redemption of the notes of the banks. The inability of the latter to redeem their issues is a case of bankruptcy, upon which government undertakes to provide for their notes by the sale of the bonds. The bonds become available for such purpose only when the banks are in liquidation. To count such as cash, and available to meet a run for coin—bonds of which, or of their proceeds, they can never get the possession, but which are to be administered upon by the government as the assets of an insolvent and defunct corporation—is as absurd as it would be to count the gold and silver to be mined after the beginning of the twentieth century as available by the banks to meet an emergency occurring on the 1st day of January, 1879. With the Secretary, money seems to be an idea, not a sober fact, and payment a ceremony in which nothing passes heavier than a graceful gesture or a few honeyed words.

MR. EWING. Do you expect to pay out the silver dollar coined by you for current expenses, or only for coin liabilities, or to hoard it for resumption ?

SECRETARY SHERMAN. I expect to pay it out now only in exchange for gold coin or for silver bullion. I am perfectly free to answer the question fully, because on that point, after consulting with many members of both Houses, I have made up my mind what the law requires me to do. I propose to issue all the silver dollars that are demanded in exchange for gold coin. That has been going on to some extent; how far, I cannot tell. Then I propose to use the silver in payment

for silver bullion, which I can do at par in gold. I then propose to buy all the rest of the silver bullion which I need under the law with silver coin. As a matter of course, in the current course of business, some of that silver coin will go into circulation; how much, I do not know. The more, the better for us. But most of it, I take it, will be transferred to the Treasury for silver-certificates (that seems to be the idea of the bill), and those silver-certificates will come into the Treasury in payment of duties, and in that way, practically, the silver will belong to the government again.

Until silver is so abundant that it becomes the acknowledged basis of coin transactions, we cannot pay out that silver for the ordinary expenses of the government, because we have not enough to pay all the expenditures in silver; and if the silver is maintained at par with gold, and if the United States notes are below par with gold, we cannot discriminate in favor of any class of creditors; we would, therefore, have to hold silver at par with gold until we either have enough to pay everything with it or until the legal-tender notes are practically at par with gold and silver. That is a matter over which I have no more control than any other citizen. The silver dollars being receivable for duties—the law allowing them to be converted into certificates which are receivable for customs—I must receive them; and I could not prevent, if I tried, the silver from coming into the Treasury, either for silver certificates or payment of duties. As to when I shall commence paying them out for the current expenditures of the government or in payment of the interest or principal of the debt, I cannot tell, because that would depend upon the equality of the three kinds of currency—gold, silver, and paper. I do not know whether I make myself understood, but that is the general idea I have in my mind. As a matter of course, it being a great discretionary power which you have invested in the office of Secretary of the Treasury, while I hold the office I will be very careful to exer-

cise that power so as to carry out in good faith the law as Congress has passed it, and that law, I think, contemplates that gold, silver, and paper shall be all brought on an equivalency.

Instead of replying to the assumption by the Secretary of creative power, by means of which "the three kinds of money, gold, silver, and paper, are to be brought to an equality of value," let us take the most instructive example which history affords of the effect of currencies of different intrinsic, but of equal denominational, value, and of the action of a great nation in face of the difficulties which now confront the people of the United States. In 1696, it was proposed to call in the outstanding silver coins of England, which were greatly reduced in value by abrasion and clipping, and issue, in their place, coins of full weight. This proposition at once raised in its full breadth the question precisely similar to that now raised in the United States; whether coin—money—circulates at its denominational or at its bullion value.

"The politicians of that age," says Macaulay, in his graphic picture of it, "marveled exceedingly that everybody should be so perverse as to use light money in preference to good money. In other words, they marveled that nobody chose to pay twelve ounces of silver when ten ounces would serve the turn. The horse at the Tower still paced his rounds; fresh wagon-loads of choice money still came forth from the mill; and still it vanished as fast as it appeared. Great masses were melted down; great masses were exported; great masses were hoarded; but scarcely one new piece was found

in the till of the shop or in the leathern bag which the farmer carried home from the cattle-fair. In the receipts and payments of the exchequer the milled money did not exceed ten shillings in the hundred pounds. A writer of that age mentions the case of a merchant who in the sum of thirty-four pounds received only a single half-crown in milled silver.

"The evils produced by this state of the currency were not such as have generally been thought worthy to occupy a prominent place in history. Yet it may well be doubted whether all the misery which had been inflicted on the English nation in a quarter of a century by bad kings, bad ministers, bad Parliaments, and bad judges, was equal to the misery caused in a single year by bad crowns and bad shillings. Those events which furnish the best themes for pathetic or indignant eloquence are not always those which most affect the happiness of the great body of the people. The misgovernment of Charles and James, gross as it had been, had not prevented the common business of life from going steadily and prosperously on. While the honor and independence of the state were sold to a foreign power, while chartered rights were invaded, while fundamental laws were violated, hundreds of thousands of quiet, honest, and industrious families labored and traded, ate their meals, and lay down to rest, in comfort and security. Whether Whigs or Tories, Protestants or Jesuits, were uppermost, the grazier drove his beasts to market, the grocer weighed out his currants, the draper measured out his broadcloth, the hum of buyers and sellers was as loud as ever in the towns, the harvest-home was celebrated as joyously as ever in the hamlets, the cream overflowed the pails of Cheshire, the apple-juice foamed in the presses of Herefordshire, the piles of crockery glowed in the furnaces of the Trent, and the barrows of coal rolled fast along the timber railways of the Tyne. But when the great instrument of exchange became thoroughly deranged, all trade, all industry, were smitten as with a palsy.

"Since the Revolution the state of the currency had been repeatedly discussed in Parliament. In 1689 a committee of the Commons had been appointed to investigate the subject, but had made no report. In 1690 another committee had reported that immense quantities of silver were carried out of the country by Jews, who, it was said, would do anything for profit. Schemes were formed for encouraging the importation and discouraging the exportation of the precious metals. One foolish bill after another was brought in and dropped. At length, in the beginning of the year 1695, the question assumed so serious an aspect that the Houses applied themselves to it in earnest. The only practical result of their deliberations, however, was a new penal law, which, it was hoped, would prevent the clipping of the hammered coin and the melting and exporting of the milled coin. It was enacted that every person who informed against a clipper should be entitled to a reward of forty pounds; that every clipper who informed against two clippers should be entitled to a pardon; and that whoever should be found in possession of silver filings or parings should be burned in the cheek with a red-hot iron. Certain officers were employed to search for bullion. If bullion were found in a house or on board of a ship, the burden of proving that it had never been part of the money of the realm was thrown on the owner. If he failed in making out a satisfactory account of every ingot, he was liable to severe penalties. This act was, as might have been expected, altogether ineffective. During the following summer and autumn the coin went on dwindling, and the cry of distress from every county in the realm became louder and more piercing.

"But happily for England there were among her rulers some who clearly perceived that it was not by halters and branding-irons that her decaying industry and commerce could be restored to health. The state of the currency had during some time occupied the serious attention of four

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eminent men, closely connected by public and private ties. Two of them were politicians who had never, in the midst of official and parliamentary business, ceased to love and honor philosophy; and two were philosophers in whom habits of abstruse meditation had not impaired the homely good sense without which even genius is mischievous in politics. Never had there been an occasion which more urgently required both practical and speculative abilities; and never had the world seen the highest practical and the highest speculative abilities united in an alliance so close, so harmonious, and so honorable as that which bound Somers and Montague to Locke and Newton.

"In whatever way the restoration of the coin might be effected, great sacrifices must be made, either by the whole community or by a part of the community. And to call for such sacrifices at a time when the nation was at war, and was already paying taxes such as ten years before no financier would have thought it possible to raise, was undoubtedly a course full of danger. Timorous politicians were for delay; but the deliberate conviction of the great Whig leaders was that something must be hazarded, or that everything was lost. Montague, in particular, is said to have expressed in strong language his determination to kill or cure! If, indeed, there had been any hope that the evil would merely continue to be what it was, it might have been wise to defer till the return of peace an experiment which must severely try the strength of the body politic. But the evil was one which daily made progress, almost visible to the eye. There might have been a recoinage in 1694 with half the risk which must be run in 1696, and great as would be the risk in 1696, that risk would be doubled if the recoinage were postponed till 1698.

"Those politicians whose voice was for delay gave less trouble than another set of politicians who were for a general and immediate recoinage, but who insisted that the new

shilling should be worth only ninepence or ninepence halfpenny. At the head of this party was William Lowndes, Secretary of the Treasury, a most respectable and industrious public servant, but much more versed in the details of his office than in the higher parts of political philosophy. He was not in the least aware that a piece of metal with the king's head on it was a commodity of which the price was governed by the same laws which govern the price of a piece of metal fashioned into a spoon or a buckle, and that it was no more in the power of Parliament to make the kingdom richer by calling a crown a pound than to make the kingdom larger by calling a furlong a mile. He seriously believed, incredible as it may seem, that if the ounce of silver were divided into seven shillings instead of five, foreign nations would sell us their wines and their silks for a smaller number of ounces. He had a considerable following, composed partly of dull men who really believed what he told them, and partly of shrewd men who were perfectly willing to be authorized by law to pay a hundred pounds with eighty. Had his arguments prevailed, the evils of a vast confiscation would have been added to all the other evils which afflicted the nation ; public credit, still in its tender and sickly infancy, would have been destroyed, and there would have been much risk of a general mutiny of the fleet and army. Happily Lowndes was completed refuted by Locke in a paper drawn up for the use of Somers. Somers was delighted with this little treatise, and desired that it might be printed. It speedily became the text-book of all the most enlightened politicians in the kingdom, and may still be read with pleasure and profit."

The proposition of Lowndes was for a recoinage of the currency with one-fifth less metal than the standard of the old coins; "to raise," to use his own words, "the value of the silver in the coins to the

foot of 6*s.* 5*d.* in every crown, because the price of standard silver in bullion is risen to 6*s.* 5*d.* an ounce." Bullion, when purchased and paid for in the debased coins, had risen in ratio to their depreciation; in other words, five light coins were required to purchase a given weight of bullion which could have been purchased by four coins of full weight. Locke was called upon to prove, and did prove most conclusively, that equal weights of silver were equal in value to equal weights of equal fineness; and, consequently, that nothing could be gained, at home or abroad, by altering the standard, as the coins, both at home and abroad, would pass only at their value measured by weight and fineness. It would seem that the conclusions to which Locke came might have been assumed as axioms, from which he might have commenced his argument. In it the whole question of the nature of metallic money, and the relation of coinage to the value of the coins, was discussed with a force and amplitude which left nothing for future generations but to repeat the demonstrations which he piled, with matchless profusion, one upon another. Nearly two hundred years have elapsed; and when precisely the same question comes up in the United States, instead of recurring to the example of England in a similar crisis, and the demonstrations which forever settled the question of coinage in that country, and which was equally applicable to the coinage of every other, Congress proceeds to enact ab-

surdities far greater than those which Lowndes proposed, not only by attempting to raise ten per cent. the value of silver, by the insignia imposed upon it, but in attempting to give to the notes of the government, for the redemption of which only one-third their amount is to be provided, a value equal to their nominal amount in coin.

The plan for relief finally adopted provided that the money of the kingdom should be recoined according to the old standard of weight and fineness; that all the pieces should be "milled," and that the loss on the clipped pieces should be borne by the public. A time was fixed after which no clipped money should pass, except in payments to the government, and a later time after which no clipped money should be passed at all. To make up in part the loss on the clipped coins, the Bank of England undertook, on the security of the window-tax, to advance to the government £1,200,000. This advance afforded only partial relief. Full relief could only be had when the new currency should come in sufficient abundance to fill up the vacuum made by calling in the old.

"Saturday, the 2d of May, 1696," continues Mr. Macaulay, "had been fixed as the last day on which the clipped crowns, half-crowns, and shillings were to be received by tale in payment of taxes. The Exchequer was besieged from dawn till midnight by an immense multitude. It was necessary to call in the guards for the purpose of keeping order. On the following Monday began a cruel agony of a few months, which

was destined to be succeeded by many years of almost unbroken prosperity.

"Most of the old silver had vanished. The new silver had scarcely made its appearance. About four millions sterling in ingots and hammered coin was lying in the vaults of the Exchequer; and the milled money as yet came forth very slowly from the mint. Alarmists predicted that the wealthiest and most enlightened kingdom in Europe would be reduced to the state of those barbarous societies in which a mat is bought with a hatchet, and a pair of moccasins with a piece of venison. There were, indeed, some hammered pieces which had escaped mutilation; and sixpences not clipped within the innermost ring were still current. This old money and the new money together made up a scanty stock of silver, which, with the help of gold, was to carry the nation through the summer. The manufacturers generally continued, though with extreme difficulty, to pay their workmen in coin. The upper classes seem to have lived to a great extent on credit. Even an opulent man seldom had the means of discharging the weekly bills of his baker and butcher. A promissory note, however, subscribed by such a man, was readily taken in the district where his means and character were well known. The notes of the wealthy money-changers of Lombard Street circulated widely. The paper of the Bank of England did much service.

"The directors soon found it impossible to procure silver to meet every claim which was made on them in good faith. They then bethought them of a new expedient. They made a call of twenty per cent. on the proprietors, and thus raised a sum which enabled them to give every applicant fifteen per cent. in milled money on what was due to him. They returned him his bank-note, after making a minute upon it that part had been paid. A few notes thus marked are still preserved among the archives of the bank, as memorials of that terrible year. The paper of the corporation continued to circu-

late; but the value fluctuated violently from day to day, and indeed from hour to hour; for the puplic mind was in so excitable a state that the most absurd lie which a stock-jobber could invent sufficed to send the price up or down. At one time the discount was only six per cent., at another time twenty-four per cent. A ten-pound note, which had been taken in the morning as worth more than nine pounds, was often worth less than eight pounds before night.

"Meanwhile, strenuous exertions were making to hasten the recoinage. Since the Restoration, the mint had, like every other public establishment in the kingdom, been a nest of idlers and jobbers. The important office of warden, worth between six and seven hundred a year, had become a mere sinecure, and had been filled by a succession of fine gentlemen who were well known at the hazard-table at Whitehall, but who never condescended to come near the Tower. This office had just become vacant, and Montague had obtained it for Newton. The ability, the industry, and the strict uprightness of the great philosopher speedily produced a complete revolution throughout the department which was under his direction. He devoted himself to his task with an activity which left him no time to spare for those pursuits in which he had surpassed Archimedes and Galileo. Till the great work was completely done, he resisted firmly, and almost angrily, every attempt that was made by men of science, either here or on the Continent, to draw him away from his official duties."

"It may well be doubted," says Macaulay, "whether all the misery which had been inflicted on the English nation in a quarter of a century by bad kings, bad ministers, bad parliaments, and bad judges, was equal to the misery caused in a single year by bad crowns and bad shillings" (silver being

the coin then in use). If crowns and shillings amounting only to a few millions sterling, bad from not containing metal equaling their nominal value, but entirely good for the whole amount of the metal they did contain, and which never fluctuated from their true value, produced such disastrous results, what would be the necessary effect of a currency of government notes equaling $350,000,000, possessing no intrinsic value whatever, and which represented no other constituent but the promise of the issuer to pay without interest at his own pleasure? This currency, like that of England in 1696, is not only below the full standard of coin, but is constantly fluctuating in value from the uncertainty as to the time of its payment, an infirmity from which the English currency was wholly free. The slightest consideration will show that of all currencies one of government notes is the worst, for the reason that there is nothing by which its value can be tested. The value of a debased metallic currency is the value of the bullion it contains. The value of a depreciated currency of banks is shown by their books. But what books will show the value of a currency of government notes? What was the value of those of the United States sixteen years ago? What ten years ago? What is it now? A mere matter of opinion, till government takes action; its value will then depend upon the degree of such action. The unexampled depression and torpor which have hung like

a pall over the country for so many years are referable to causes the necessary effects of which are far more palpable than those of the distress of which Macaulay has drawn such a striking picture. Was there ever an opportunity so well fitted as then to determine the nature of money; whether or not value was a necessary attribute of it; and whether a value could be given by legislation, by coining it at a rate greater than its price in bullion, as that afforded by England at the period described? Was not the result there conclusive of the whole question? If coins of that country, notwithstanding the great demand for them, could be made to circulate only at their bullion value, can the notes of the United States which, as currency, are to be abraded or clipped to the extent of two-thirds of their value, be made to circulate at par with coin?

The great problem always before society is distribution—not production. The latter can always be speedily pushed to almost any extent. It may be wholly independent of the causes which may defeat distribution altogether. The rumor of social or political disturbance will create such a distrust on the part of merchants that they will immediately suspend their operations till the result can be known. In this country the uncertainties to which they are subject from our currency are more to be feared than war itself. The

remedy is precisely the remedy adopted in England, the restoration of the currency to the value of its standard coin by the provision of an adequate constituent. So far from having any disposition to follow such example, our government has turned clipper on a colossal scale, committing in effect what in England would have sent the offender to the gallows, by imposing upon the people at the par of gold, silver coins whose bullion value is ten per cent. below their denominational value.

In reply to the inquiry of Mr. Ewing, as to the purposes for which the new silver coins would be used, the Secretary replied that he proposed, first, to exchange all the silver dollars demanded for gold coin. He then proposed to use silver dollars in the purchase of silver bullion for coinage, which he says he can do, using the former at the par value of gold. For general purposes—for the expenses of government and the payment of interest—he would not for the present pay out silver; in other words, he would not discriminate in favor of any creditor, by paying silver, till the three currencies, gold, silver and notes, all came to an equality of value. He will very soon have, if he has not already had, an opportunity of putting his methods to a test. He may, for a little time, get from those who have duties to pay a higher price for his silver dollars than that due to their bullion value; but this accidental advantage will be lost

so soon as the government notes are receivable, as he proposes, for customs revenues. But, his silver dollars once in the Treasury, how is he going to get them out? Who is going to take silver at a value ten per cent. less than that of gold? Who is going to take notes which are even not demand liabilities, and for which only partial provision has been made? When the equality he proposes is established, then the Model Republic may well plume its wings for a far loftier flight than that taken by any other nation. But if the equality be attempted, and disgraceful defeat follow, then must the Model Republic submit, as best it may, to the taunts and jeers that other nations will pour upon it in no scant measure. Our chronic conceit taken out of us, and the ground cleared, for the moment, of those who have led us into disaster and disgrace, the Nation may, for the first time, address itself to the only measures that can yield permanent relief, and restore to it its wonted prosperity.

MR. EWING. In case of a drain of gold from the Treasury, what measure would you resort to to check it—I mean after resumption?

SECRETARY SHERMAN. The Treasury ought to be so strong that the thing would check itself. You can scarcely imagine, in the probabilities of business, that, with no outstanding liabilities that are not covered by actual cash on hand except the $300,000,000 of legal-tender notes, the drain upon the government would be so great as to exhaust the reserve of $120,000,000. That proposition is all based, not upon the fact that $120,000,000 would pay $300,000,000—we all know

that is not so—but upon the fact that it is impossible to gather together United States notes and to present them in such a mass and in such a continuous stream, and that the very effort to do so would raise the value of United States notes. Their convenience is so great, and the necessity for them so apparent, that such an effort would at once bring them up to par in gold. I think that a drain of five, ten, fifteen, or twenty millions would at once tend to bring up the value of greenbacks until they were at par in gold, and then there would be no object at all in drawing them out.

MR. EWING. After resumption the greenback must remain at par in gold as long as the Treasury maintains resumption?

SECRETARY SHERMAN. Certainly; and while they are at par in gold they will not be presented to any considerable extent.

MR. EWING. Of course, if there was an established difference of 1 per cent., or one-half of 1 per cent., between gold and greenbacks, the Treasury would be broken pretty quick?

SECRETARY SHERMAN. Yes, sir, or a quarter of 1 per cent.; there is no doubt about that.

MR. EWING. Therefore, after resumption, greenbacks must necessarily be at par with gold so long as the Secretary is able to maintain resumption? Now, I am supposing a case of a drain of gold from the action of foreign creditors, or from any other cause, and want to know what means you would resort to to check it?

SECRETARY SHERMAN. I do not think that it would be necessary to resort to any means; but if it were necessary to devise some means, I would resort to such as have been adopted in other countries — the temporary suspension of specie payment. That is a question for Congress. The British Bank Act, which is so often quoted as the standard, makes no provision for suspension; there is no legal suspension of payment in England, nor does our law make any provision for it. If the government should meet such an adverse

state of circumstances as to make suspension absolutely necessary, the government would necessarily have to take the responsibility of it, leaving Congress to determine whether the circumstances justified it. That has always been so.

The old story in the above, that when the holders of notes see that they can be paid, they will not want to be paid, need not be further replied to. In case of pressure, no steps to meet it need be taken, for the reason that none could be taken. When it was seen that government could no longer go on, all it would have to do would be to follow the example of other nations—suspend. But the Secretary forgot that nations issuing currencies like that of the United States never resume. Resumption means payment, an alternative which they cannot face. The longer the suspension is continued, the more impoverished does a nation become. Russia is a notable example for the Secretary. She is under suspension, which, like that of the United States, is chronic. Resumption with either will be an end to its currency. The English Government never authorizes the Bank of England to suspend, only to exceed the amount of notes provided by law. It must pay coin all the same, notwithstanding.

A drain of five, ten, fifteen or twenty millions would, the Secretary tells us, at once bring up the greenbacks to a par with gold, and the drain would stop. How would five, ten, fifteen or twenty millions of coin be drawn by means of notes, unless

the notes were at the par of coin? And why should the raising of the notes to par stop the drain? Upon the principle stated by the Secretary, a drain of fifty millions might advance the notes to twenty-five per cent. premium; a drain of a hundred to fifty per cent. premium; a drain of two hundred might advance the value of the $140,000,000 left outstanding so that they would command at auction a greater sum than the present value of the whole.

MR. HARTZELL. What would be the effect of this resumption act upon the national banks and their depositors?

SECRETARY SHERMAN. I cannot see that it will have any injurious effect. Wherein?

MR. HARTZELL. I understand from your statement here last Monday, that the national banks hold $600,000,000 of deposits. Lack of confidence might induce the depositors to go to these national banks and demand, on the 1st of January, or soon after the resumption act takes effect, a large amount of gold. * * *

SECRETARY SHERMAN. Your question is a very proper one. I can only give you my idea. All banking is based upon the idea that a larger amount of paper money can be maintained in circulation than the money in which it is to be redeemed. Otherwise there would be no object in banking. * * *

MR. EWING. What about the $1,500,000,000 of deposits in other banks than national banks?

SECRETARY SHERMAN. They are private individual debts; the government has nothing to do with them.

MR. EWING. The government has certainly to consider them in the plan of resumption? * * *

SECRETARY SHERMAN. It is all to be considered; but $10 will pay $100 of deposits in the ordinary course of business.

MR. HARTZELL. Does the mere fact that the government will, on the 1st of January, be able to redeem all its legal-tender notes, bring us of itself to specie resumption? Is that what we mean by specie resumption?

SECRETARY SHERMAN. I mean by specie resumption not the payment of all these debts in coin, but I mean the equivalency of these United States notes with coin, so that the people will take paper at par with coin, and if they want the coin they can get it. I do not suppose that $1 out of $100 of greenbacks will be presented for redemption.

Resumption by the government would not, says the Secretary, injuriously affect the national banks, or their depositors, for the reason that they would, as now, use government notes. A few of these would suffice, for with him "all banking is based upon the idea that a larger amount of paper money can be maintained in circulation than the money in which it is to be redeemed," when resumption takes place. "I do not suppose," he continues, "that $1 out of $100 of greenbacks will be presented for redemption." The preceding extracts indicate precisely the rock upon which the Secretary and his whole scheme are to make a disastrous shipwreck. All paper money, if it be convertible, will be very speedily presented for payment, and must be paid when presented. The means provided

by the banks for the payment of that issued by them is not "money"—coin—but merchandise; "money" being simply held to supplement such means. If a bank conduct its business properly—if it make no bad debts, and discount only such bills as mature within periods of ninety days—all its issues will be taken in without the use of a dollar of the kind of "money" to which the Secretary refers. If not returned by means of merchandise, it must be taken in by the paying out of coin. As the government is not a discounter of bills, the representatives of merchandise, all its issues must be taken in by the paying out of coin. It is just as impossible that a currency lacking provision for its redemption should circulate at the par of coin as that holders of dollars should willingly accept half-dollars in exchange. Well, therefore, may the Secretary declare that *his* kind of resumption is not payment, but "an equivalency," "so that the people can get gold when they want it." How is this equivalency to be secured? Certainly not by a provision equaling only one-third the amount of the notes; nor by an agreement to receive them equally with gold in the payment of the revenues. Suppose the Secretary were to announce that he would receive notes and coin equally in the payment of the revenues. Not a dollar would be paid but in the cheapest currency. If silver could be had at a price 10 per cent. below that of gold, and 9 per cent. below that of green-

backs, this would be wholly used. If notes fell to a discount from silver, then they would be used. Not a dollar of gold would ever come into the Treasury. The Secretary, so soon as he had exhausted his present hoard, would not have a dollar of it to pay "to the people when they wanted it." His plan of resumption reminds one of the celebrated proposition of Charles II. to the Royal Society: "Why, if you put a live fish into a vase full of water, will the water not overflow?" Many and long were the speculations and conferences of the learned members to solve this wonderful freak of nature, till at last it occurred to one of them to put a live fish into a full vase. The question was instantly answered.

MR. CHITTENDEN. Will not the mixed condition of the national bank currency be an element of strength in facilitating resumption? For example, if you were to present national bank currency to a bank for redemption, you must separate the notes. If you take any given amount of national bank currency which you find on deposit anywhere, you will be surprised to find how it represents banks from all sections of the country. I take it that no bank can be called upon to redeem any but its own issue.

SECRETARY SHERMAN. That is so; it is almost impossible to sort national bank bills.

MR. CHITTENDEN. Will that be for you an element of strength or of weakness?

SECRETARY SHERMAN. It will be an element of strength. The difficulty of sorting national bank bills is very great. When they come to sort them in the Treasury the bills have to pass through four or five skilled hands. First, they are

sorted into States, then into denominations, and then into banks. If you were to try and make a run on any particular bank in this country, as they used to do twenty or thirty years ago, it would be impossible to do so from the difficulty of assorting notes of different banks.

The better way would be to have all the bank notes of the same type. In such case no bank would be called upon to redeem its issues, for the reason that the notes for which it was liable could never be certainly identified. In this way, all would be on a specie basis, without being exposed to be called upon for a dollar!

THE CHAIRMAN. * * * * * * If they can be also received for duties at the custom-house, it would help you in resumption.

SECRETARY SHERMAN. Yes. As soon as we resume, or are ready to resume, we ought to receive greenbacks for customs duties.

THE CHAIRMAN. And bring them on a par with gold also by making them exchangeable for bonds.

SECRETARY SHERMAN. Yes; or redeem such as are presented in coin.

THE CHAIRMAN. On that theory of resumption you would resume already, in order to have practical resumption.

SECRETARY SHERMAN. Yes: that is resumption, and we would not know about it.

We most sincerely regret that the Secretary will never know the happy moment in which *he* will resume, more on account of the country than his own. When resumption comes, he, with the whole people, will know it all too well. Such

a devil as that which now possesses the nation is of the kind "that goeth not out but by prayer and fasting."

MR. EWING. And you could thus maintain an equality of coin and paper upon your theory, which is, that as soon as paper and coin are equal, nothing will be likely to occur to disturb the equilibrium?

SECRETARY SHERMAN. There will be more or less fluctuation, and we must be prepared to meet those fluctuations, so that if greenbacks become superabundant we can get gold for them; or if, on the other hand, gold becomes a *drug*, as it may, it will be deposited for greenbacks.

MR. EWING. But if greenbacks become superabundant, and are presented to the Treasury for redemption, you will have to pay them out again?

SECRETARY SHERMAN. Yes, as soon as the equivalency is restored.

MR. EWING. That is, you will hold whatever greenbacks come in until there is an equivalency?

SECRETARY SHERMAN. Yes; that is the effect of it.

MR. EWING. The Bank of England, when a drain sets in, interrupts the movement of circulation by taking in its notes and not paying them out until the drain is checked. In that respect your idea of maintaining resumption is the same.

SECRETARY SHERMAN. Yes. When the notes are presented, the Secretary of the Treasury pays them in coin, silver or gold, at his discretion. * * *

MR. EWING. But he would not pay them out——

SECRETARY SHERMAN. Unless they were equivalent to coin.

MR. EWING. And he would judge of their equivalency by the drain upon the Treasury?

SECRETARY SHERMAN. He would never be likely to pay

out these greenbacks if they were to come back again on him for coin ; and he would not be wise if he did it.

MR. EWING. In that respect, he maintains resumption by exercising the same power and control over the paper currency as the Bank of England does.

SECRETARY SHERMAN. Yes, sir. * * *

MR. EWING. I think I have your idea pretty clearly that your control in putting out legal tenders or withholding them is the lever by which their convertibility is to be maintained ?

SECRETARY SHERMAN. Yes ; and then there is, too, the fact that the Secretary is under the constant eye of Congress if he abuses his powers. * * *

MR. EWING. If there is a drain of gold you would sell bonds ?

SECRETARY SHERMAN. The Secretary might sell bonds, and, again, when greenbacks were abundant in the Treasury, he might make a call for six per cent. bonds, as I have done. So, the Secretary of the Treasury, administering under this law, if he found coin or greenbacks accumulating in his hands, would make a call of six per cent. bonds and would pay them off and sell four per cent. or four and a half per cent. bonds—whichever was the current bond in the market—and thus make good his money. That operation would go on without difficulty. That is the way, at least, that I would conduct it if I were in charge.

In the preceding extracts both the Secretary and Mr. Ewing again travel over with renewed emphasis the ground already many times traced. However much they differed, both agreed in this—that in case of a drain of gold the action of the Bank of England, under similar conditions, was to be the example for our government. The movement of the

precious metals was to be controlled by increasing or decreasing the amount of government notes in circulation. The inward flow of notes was to be checked by withholding, for a time, such as were returned. In such case gold would soon become a "*drug*" from its abundance, and its holders would be glad to return it for a more portable and convenient kind of currency. There will be some aberrations, to be sure, as there are in the movement of the heavenly bodies; but a wise law of equivalency, which the Secretary so well knows how to apply, and which is the sheet-anchor of his system, will make everything square in the end. The ebb and flow of the monetary currents will be only the ebb and flow of the tide, which, instead of being hurtful, is one of the most beneficent processes in nature. Like the tides, the Secretary's monetary machine, once set agoing, will work with automatic regularity, shaming the jeering and doubting Thomases who had regarded it with mingled feelings of dread and scorn. But are not some limitations imposed upon the Secretary of the Treasury which would somewhat interfere with his rôle of imitating the Bank of England in the management of the currency? The Bank is a lender of money—currency—at whatever rate of interest it chooses to establish. It does not, as Mr. Ewing and the Secretary assume, seek to control the movement of specie by means of a greater or less amount of its notes. The Bank, unfortunately perhaps, has no

discretion in the matter of their issue. It must discount at periods of the greatest distrust and pressure upon it all the paper that comes within the rules established, not in a panic, but when everything was smooth and easy. It may very plainly see the consequences to which such a course must lead; but by the theory of its organization, the public, not itself, are the judges of the amount of currency that is needed. It was its boast that during the crises of 1847, 1857 and 1866, it never refused any paper proper for discount. When a crisis threatens, it says to the government, "You created the Bank to supply the country with currency. This will be supplied so long as a note remains in its vaults. If it fails, the responsibility will rest upon the law, not upon the Bank." The government fully acquiesces in such construction, and escapes the effect by setting the law aside. Our Secretary, not being a lender of money, and having no control by means of rates of interest over the ebb and flow of specie, proposes to do what the Bank never attempts—to withhold his notes when there is a run for gold, and pay them out freely when gold becomes a *drug*. But how is he to enact the rôle which he assumes with such alacrity? He is a public officer. All his duties and functions are prescribed by law. If he exceeds them in the slightest degree, he becomes a criminal in the eye of the law. He cannot touch a dollar but upon a proper voucher. Those to be paid, not himself,

determine the time of payment. In his pretensions to regulate the mighty currents that are constantly moving with resistless force through commercial affairs, he reminds one of the philosopher in the story of Rasselas, upon whose watchful care depended the orderly movement of all the heavenly bodies. The philosopher was harmless from his impotence. The Secretary, as impotent for good, is yet as potent for mischief in his sphere as would have been the philosopher in his, could he have touched the stars. Suppose $50,000,000 of coin be drawn. How is this to be recovered? He says he will sell bonds. This will not help him; for while he is selling bonds with one hand, he is buying bonds with the other. The incoming revenues meet the current expenses. He assumes that the withdrawal from circulation of the fifty millions of notes will make them so scarce that the people will bring back the coin for the sake of getting them. But what would they want the notes for? The gold, or the greater part of it, would have been drawn to serve as reserves for issues by banks, exceeding perhaps five times the amount drawn—issues which would form a far better currency than the notes of the government, from being at all times convertible into coin.

The difference between the Treasury of the United States and the Bank of England is far wider than the difference in the functions of the

two. The latter is managed by twenty-five directors, including the governor, who are merchants selected for their probity, intelligence, and ability in commercial and monetary affairs; and who, in the discharge of their duties, are administering upon their own estates. A wide and enlightened experience has taught them that their gains are in ratio as the general welfare is advanced. Never, through the long period of the existence of the Bank, has a charge been brought against them of knowingly sacrificing the public welfare to their own. The operations of the Treasury of the United States, instead of being directed by twenty-five merchants selected for a reputation acquired through a long and honorable career in their various lines of business, are almost certain to be committed to persons without training for the positions they hold, who have no direct personal interest in the result, and who are constantly liable to be the sport of the currents and counter-currents which, in a country like our own, are always moving in some direction with almost resistless force. All will recollect that, a few years ago, a Secretary of the Treasury, in obedience to the pressure brought upon him, or to an assumed necessity, re-issued in manifest violation of law, or what was believed to be law, a large amount of notes that had been taken in for cancellation. The future in this respect is certain to repeat the past. What a few years ago was a violation of the law, deserving the severest reprobation, has now be-

come the established policy of the government. Are the merchants and bankers, are the people, to commit to the class of men who are likely to preside over the Treasury the custody and direction of affairs whose proper management requires the maturest experience and the highest qualities of character and mind? If so, the Model Republic may without further delay hang out the sign, "These premises to let, the recent occupant having given up the business." But our people are not yet come to such a pass as this. So long as there is sense enough on their part to exact an equivalent in their transactions, they will never finally rest till the currency they use is the equivalent of coin, no matter how long and tortuous the path through which they may be led.

The above summary of the famous conferences between the Secretary of the Treasury and the leading committees of Congress, shows his views on the subject of resumption and the means necessary to be provided therefor. It is not payment, says the Secretary, but equivalency between government notes and coin, so that no one will have any motive to convert the one into the other. Such equivalency is to be secured by a partial provision of coin and by enlarging the sphere of use of the notes. With such provision, he does not anticipate that one note in a hundred will ever be presented. It must, however, be re-enforced by the retention of

the legal-tender clause, and by allowing him to pay out the notes to the full extent of those outstanding at the time resumption was a *fait accompli*—in other words, to pay, or not to pay, to suit his own ideas of convenience or necessity. From the Senate Committee he received nothing but complete acquiescence. He was met in a very different temper by that of the House, which is the great nucleus of the enemies of resumption. The leading figure in it is Mr. Ewing, of Ohio, an earnest advocate of the complete substitution of irredeemable government money for that of banks. He agreed with the Secretary that the notes, or the greater part of those outstanding, should remain out; but was wholly opposed to making any provision therefor. At the same time he contended that the proposed provision was wholly inadequate to its object. The point of controversy was narrowed to this—Mr. Ewing: "*If* you have only $120,000,000 of coin, how are you going to pay $647,000,000 of notes?" "My dear sir," replies the courteous Secretary, "nothing is further from our purpose than *paying*. Heaven forbid that we should attempt anything of the kind! for how can $120,000,000 pay $647,000,000, or even $347,000,000? But we must make a *show* of paying. If we do, no one will want to be paid." Mr. Ewing could only ask, "What *if* the holders of the notes should want to be paid? How can you do it?" The Secretary could only reply, "*If* they do not want to be paid,

am I not all right?" He could not by any possibility explain why the notes would not be presented for payment, nor could Mr. Ewing why they would. The *if*, on either side, was the *pons asinorum* which neither could pass; "and so they measured swords, and parted." With the single exception of Mr. Chittenden's questions, with the answers to which he appeared fully content, neither conference elicited an expression which indicated the least understanding of the laws and nature of money, or the slightest appreciation of the mighty significance of the subject under discussion.

What is the great problem now before the country? The restoration of its power of natural action in the operations of production and trade. This is all. How is such a result to be accomplished? By repealing all laws which seek to give to money of any kind a legal competency greater than that due to its intrinsic or representative value. If government wishes to enter the field upon such terms, let it enter it. What its money would be without provision for its enforced circulation, the Secretary of the Treasury has already told us: "If you strike out this legal-tender clause, the government notes will fall dead upon the money markets of the world. They will be refused by the banks, and will be refused as a subordinate and disgraced currency that will not pass from hand to hand." If bank notes were made legal

tender, "they would," to repeat the Secretary (instead of circulating as they now do in countries upon a specie basis at the par of coin), "fall dead upon the money markets of the world; they would be a subordinate and disgraced currency, and would not pass from hand to hand." Why? For the reason that such provision, if it could be availed of by the issuer, might defeat payment altogether. Why should government money possess an immunity not accorded to that of banks? What is bank money? Instruments arising out of production and trade, which disappear with their constituent. Such instruments are similar in kind to thousands whereby cumbrous or expensive processes are avoided or abridged, the welfare of society being advanced in like ratio. What is government money? Debt payable at its pleasure. It never disappears, for the reason that no constituent can be reached by its use. The two kinds are as unlike as capital is to debt—as something is to nothing. Why persist in the attempt to make nothing perform the function of something? The problem is one that defies solution. It has been tried a thousand times with precisely the same result—inflation so long as the issues continue, with an extravagant expenditure of all kinds in ratio to the amount, to be followed by an exhaustion in proportion to the delirium—all, perhaps, to have the fate of the Continental money of the United States and the Assignats of France, which in their fall involved the

material and moral welfare of the two nations in a common ruin.

It may be proper to advert briefly, in this connection, to an alleged saving by the use of notes equal to the interest on the amount outstanding. The saving proceeds upon the assumption that government can borrow without paying interest. It can no more do this than can an individual. Interest does not arise out of considerations due to either lender or borrower, but solely out of those due to the thing itself. Bills discounted at bank do not usually bear interest on their face. It is none the less paid. Government notes do not bear interest; but the moment they are issued, they fall to a discount which is assumed to equal the interest on their amount till they are paid. In less than six months after the first issue of legal-tender notes of the United States were made, gold rose to a premium of $37\frac{5}{8}$ per cent. This premium was but another word for interest on their amount until, in public opinion, they would be paid. At one time the premium rose to 185 per cent. The average premium for 1863, 1864, and 1865 equaled fully 60 per cent. Within such periods the debts incurred by the government and States on account of the war equaled $3,000,000,000. The excess of expenditure, or liability incurred due directly to use of the government money bearing no interest, equaled fully $2,000,000,000, the annual interest on which at 5 per cent. equals $100,000,000 annually. Part of this

vast sum, it is true, has been paid; but more than half of it remains unpaid, and calling for interest equaling $50,000,000 annually. So much for the saving assumed to be effected by the use of a few hundred millions of non-interest-bearing debt. The attempt to avoid the payment of interest, either by government or individuals, is certain to increase many times the amount of penalty to be paid. To this direct penalty follows another still more disastrous. The inflation which government money always causes is always followed by a corresponding depression, which necessarily continues till the cause is removed. In the case of the United States, the period of inflation has long since passed. We are now suffering an annual loss equaling probably the whole amount of greenbacks in circulation. The nation is held in chains which she has neither the sense to see nor the courage to throw off. She will soon be driven to take action. Whether this shall be heroic and honorable—the payment in some way of the debt which is now producing such consequences—or outright repudiation, is soon to be seen. The alternative cannot, nor will it, be long delayed.

PART III.

THE SILVER QUESTION.

UPON the formation of the government, one of the earliest and most important measures engaging the attention of Mr. Hamilton, first Secretary of the Treasury of the United States, was the establishment of a mint, "to correct"—to quote from his celebrated Report of 1791—"the immense disorder which already reigns in so delicate and important a concern [as the currency], and the still greater disorder which every moment is possible." The money in circulation, at the time, were coins from nearly every mint in the world; the greater part, however, being those of Spain and her colonies, at that time the chief source of the supply of the precious metals. A portion of the coins in circulation of different nationalities were, for a time, from the necessity of the case, made legal tender and receivable in the payment of the revenues. The greater part of the coins were largely reduced in value from wear, while the amount of pure metal they contained depended upon the regulation of each mint. In the establishment of a system for the new nation, the first thing to be considered was

the relative value of the two metals to be used—gold and silver—so that, with the two, there should be but *one* standard; the coins of each metal of similar denominations, or their multiples, to have equal values. In determining this point, it became necessary to decide upon the metal best fitted to serve as the unit to which the value of the other should be referred. Mr. Hamilton, with a sagacity which never failed him, at once adopted gold as having the most uniform value. "That species of" (silver) "coin, the old piaster" (dollar) "of Spain" —to quote further from his report of 1791—"has never had any settled or standard value according to weight or fineness, but has been permitted to circulate by tale, without regard to either, very much as a money of convenience, while gold has had a fixed price by weight, with an eye to its fineness. This greater stability of the value of the gold coins is an argument of force for regarding the money unit as having been hitherto virtually attached to gold rather than to silver. Twenty-four and sixth-eighths grains of fine gold have corresponded with the nominal value of the dollar in the several States, without regard to the successive diminutions of its" (the dollar) "intrinsic worth. * * * The nominal value of the dollar in each State corresponds also with 24.75 grains of fine gold, and with something between 368 and 374 grains of fine silver. * * * As long as gold, either from its intrinsic superiority as a metal, from its greater

rarity, or from the prejudices of mankind, retains so considerable a preëminence in value over silver as it has hitherto had, a natural consequence of this seems to be that its condition will be more stationary. The revolutions, therefore, which may take place in the relative value of gold and silver will be changes in the state of the latter rather than of the former." Much more might be quoted to the same effect. Enough has been given to show that Hamilton grasped the whole subject. Whatever has followed in this country up to 1853 has been to confirm, what he sought to establish, a relation of the two metals according to their value, referring that of silver to that of gold as the more uniform, and consequently the proper unit and standard. After full investigation and deliberation, Hamilton adopted the ratio of 1 to 15; the gold dollar, or unit, to consist of 24.75 grains, and the silver dollar 371.25 grains of pure metal.

The result speedily showed gold to have been undervalued in the coinage. Having a legal competency less than its bullion or market value, it was exported as fast as coined, leaving the country with but one metallic money—silver. To remedy this mistake various propositions were from time to time submitted, the object being to retain gold in the country by equalizing its value with silver. "Gold"—to copy from a report made in 1819 by a committee of the House of Representatives—"can hardly be considered to form a material part of our

money circulation for the past twenty-six years;" that is, from the establishment of the Mint. Mr. Crawford, Secretary of the Treasury in 1820, recommended that the ratio between gold and silver be established at 1 of the former to 15.75 of the latter. Nothing came, however, of his proposition and many others of the same kind, till 1834, when the relative value of the two metals was established by law at 1 of gold to 16 of silver, the pure metal in the gold dollar being reduced from 24.75 to 23.2 grains to the dollar. A slight addition of value was made in 1837, by raising the amount of pure metal in the gold coins from 899.225 to 900.000 fine. The avowed object of the advocates of a change in the relative coined value of the two metals was to bring gold into active circulation, and they determined to establish a rate that would effectually accomplish their purpose. Such was their strength that they carried their measure in the Senate by a vote of four to one, and in the House by a vote of five to one.

As the ratio established by Mr. Hamilton overvalued silver, in consequence of which gold was driven from the country, the act of 1834 undervalued silver to the extent of about one and a half per cent., in consequence of which its coins were driven from the country, leaving in circulation only gold and debased foreign silver coins. To correct this mistake, Mr. Corwin, in 1852, then Secretary

of the Treasury, called the attention of Congress to the consequences that had resulted. "So soon," he said, "as the state of our foreign commerce, as is now the case, requires the exportation of specie, it is obvious that our silver coin must be exported while it can be procured till the demand for exportation is supplied. * * * There seems to be but one immediate and direct remedy for this evil, and that is the one that has already been adopted in Great Britain, of changing the relative value between gold and silver coin by reducing the intrinsic value of the latter. * * * This could be advantageously done by making the (silver) dollar weigh 384 grains (in place of 412¼), and the smaller coins in proportion. * * * If such a scale of weights were adopted, the relation of silver in such pieces to gold would be as 14.884 to 1; and if the present true relation of bullion value is about 15.675 to 1, the new proposed silver coin would be overvalued by about five per cent. * * * If this plan is adopted by Congress, it, of course, *will involve the necessity of making silver coin a legal tender only for debts of small amount, not say, exceeding ten dollars, which is about the same limit (forty shillings) which has been established in England.*"

Pursuant to the recommendations of Mr. Corwin, Congress, in 1853, passed a law reducing the weight of silver, in coins of less denomination than one dollar, from the standard of 412.25 to 384 grains to the dollar, the half-dollar to weigh 192 grains, and

the smaller coins in proportion; the coins of less than one dollar not to be legal tender in payments exceeding five dollars at any one time. No change was made, at the time, in the amount of metal in the silver dollar, for the reason, to use the words of Mr. Hunter, of Virginia, who reported the bill establishing the subsidiary coinage, that "the great measure of adjusting the legal-tender ratio between gold and silver (as legal tender in unlimited amounts) cannot be safely attempted until some permanent relation between the market value of the two metals shall be established." At that time the silver dollar, or rather the amount of metal in it, was at a premium in gold of 4.26 per cent., the premium having risen 1.69 per cent. from the previous year. Its price fluctuated rapidly, partly in consequence of the discoveries of gold in California and Australia. It was thought best, consequently, to await the permanent effect of these discoveries, before attempting to establish a relation that might have to be altered almost as soon as made. Congress could well postpone any action in reference to the relative value of the gold and silver dollar, for the reason that the latter, at the time, formed no part of the currency of the country, it having been taken up for export as bullion as fast as it came from the mint. The effect of the act of 1853, consequently, was to place the country effectually upon a mono-metallic basis—as much so as if the silver dollar itself had been reduced to the position of a sub-

sidiary coin, the only currency from our own mint in circulation being gold and the subsidiary silver coins of denominations of less than one dollar. That such was the intention of the act was fully shown by Mr. Dunham, of Indiana, Chairman of the Committee of Ways and Means of the House, which reported the bill. In the course of his remarks in its support, he said:

"Another objection urged against this proposed change [*i.e.*, the reduction of the weight of the minor coins] "is, that it gives us a standard of currency of gold only. What advantage is to be obtained by a standard of the two metals, which is not as well, if not much better, attained by a single standard, I am unable to perceive. * * * Wherever the experiment of a standard of a single metal has been tried, it has proved eminently successful. Indeed, it is utterly impossible that you should long at a time maintain a double standard. * * * Gentlemen talk about a double standard of gold and silver as a thing that exists, and that we proposed to change. We have had but a single standard for the last three or four years. That has been, and now is, gold. We propose to let it remain so, and to adapt silver to it, to regulate it by it." *

* The silver dollar not only formed no part of the circulation from 1834, but it never, at any time, formed any considerable portion of it. Up to 1834 the whole number of silver dollars coined equaled only $1,439,517, the amount averaging only $45,000 yearly. From the formation of the mint down to 1873 the total coinage of silver dollars equaled only $8,045,838, against $816,905,879 of gold, and $144.141,885 of smaller and subsidiary silver coins. From 1834 to 1873 the premium on silver dollars equaled, on an average, 2.25; the premium being the highest in 1859, when it rose

From 1853 the laws relating to the coinage remained unchanged till 1873. In 1870 a communication, under date of April 25th, was addressed by the Hon. Mr. Boutwell, then Secretary of the Treasury, to the Hon. Mr. Sherman, the Chairman of the Committee on Finance of the Senate, inclosing a bill for the thorough revision of all the laws relating to the mint. Accompanying the bill was a report, prepared by Mr. J. J. Knox, then Deputy Comptroller of the Currency, presenting the reasons for the various provisions in the bill, one of which was the discontinuance of the *silver dollar* as one of the coins, for the reason that, in consequence of its excess of bullion over its nominal value, it had long ceased to be one of the coins in circulation in the country. On the 28th of April, the bill was referred to the Senate Committee on Finance, and a large number of copies ordered to be printed, with wide margins, and distributed among experts and persons whose opinions were regarded of value, in order to elicit the widest comment and criticism. Numerous replies were received, the purport of all being embraced in that of Dr. Linderman, Director of the Mint. * * * "It would be better, in my opinion," said Dr. Linderman, "to discontinue the issue of the silver dollar altogether [than to issue it at a reduced value, as a subsidiary

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to 5.22, and the lowest in 1843, when it fell to 0.34. In 1870, when the bill demonetizing silver was introduced, the premium stood at 2.67, and continued at about such rate till the bill passed.

coin]. The gold dollar is really the legal unit and measure of value. Having a higher value as bullion than its nominal value, the silver dollar long ago ceased to be a coin of circulation, and being of no practical use whatever, its use should be discontinued."

On the 19th of December, 1870, the bill reported by the Senate Committee was taken up for discussion, and on the 9th of January, 1871, was passed by the Senate substantially as originally reported. On the 13th day of January, 1871, the bill, having gone to the House, was ordered to be printed. On the 19th of February following, Mr. William D. Kelley, Chairman of the Committee on Coinage of the House, reported the bill to that body, with an amendment in the nature of a substitute, which agreed with the Senate bill in discontinuing the coinage of the silver dollar. Mr. Kelley's bill was ordered to be printed and recommitted. On the 9th of March, 1871, Mr. Kelley again introduced the bill, which again was ordered to be printed, and again was referred to his committee. On the 9th of January, 1872, the bill was again reported, with a recommendation that it pass. On the 9th of April, 1872, it was taken up and discussed at great length. It was again taken up for discussion on the 27th of May, 1872, when an amendment was offered by Mr. Hooper, a member of the Coinage Committee, from Massachusetts, and adopted, that the silver dollar be retained as a sub-

sidiary currency, its value being reduced to 384 grains, the ratio of metal in the subsidiary coins, for the reasons, as stated by him in the debate, that "the silver dollar of 412¼ grains, by reason of its bullion or intrinsic value being greater than its nominal value, long since ceased to be a coin of circulation, and is melted by manufacturers of silverware." Mr. Kelley, in the same debate, said: "It is impossible to retain the double standard. The value of gold and silver continually fluctuates. You cannot determine this year what will be the relative values of gold and silver next year. They were 15 to 1 a short time ago; they are 16 to 1 now. * * * I again call the attention of the House to the fact that gentlemen who oppose this bill insist upon maintaining the silver dollar, worth three and a half cents more than the gold dollar, and worth seven cents more than two half-dollars. So long as these provisions remain, you cannot keep silver in the country."

The bill, as amended, passed the House on the 27th of May, 1872. It was returned to the Senate with the amendments, again printed, and referred to the Committee on Finance, reported back on the 16th of December, 1872. After debate it was again referred to the committee, and printed with the amendments. On the 7th of January, 1873, it was taken up for debate in the Senate, and finally passed by that body on the 17th of that month, the House amendment to the bill retaining

the silver dollar as a subsidiary coin having been stricken out. As the House adhered to its amendment, the bill went to a committee of conference, by which the House amendment was stricken out, the bill making no provision for the coinage of the silver dollar in any form. The report of the conference committee was accepted by both Houses, and on the 12th of February the famous bill of 1873, by the signature of the President, became a law.

It will thus be seen that nearly three years elapsed from the introduction of the proposition demonetizing silver till its final passage. During this whole period every possible means were resorted to to give it publicity, and to invite whatever opinion or criticism could aid in coming to a wise and temperate conclusion. It was during this whole time constantly and emphatically urged by the Secretary of the Treasury. The bill was repeatedly considered at length by the Finance Committee of the Senate and the Coinage Committee of the House, during five different sessions of Congress. It was repeatedly read in full in both Houses. It was printed in full, with the amendments, by order of Congress, eleven different times, and twice, in addition, in the reports made by the Deputy Controller of the Currency. The debates upon the bill in the Senate occupy sixty-six columns of the *Congressional Globe*, and those in the House seventy-eight columns. During the period

every shade of opinion, both in and out of Congress, was invoked and challenged. Never was a measure more fully, intelligently, conscientiously, and exhaustively considered.*

We have given a brief sketch of the coinage laws from the formation of the government, in order to show that, as far as the two metals are concerned, all measures had one object—an equality of value between the two; that the act of 1853, which provided the conditions by which alone the coins of silver to be issued in the future could be retained in the country, not the act of 1873, was the one that placed the nation on a mono-metallic basis of gold; that the act of 1873 produced no change in the financial condition of the country. That this was not devised by the rich as a cunning and cruel method of oppressing the poor by increasing the amounts to be paid by them, is sufficiently shown by the fact that it substituted the lower standard in place of the higher. The measure, consequently, if it had any design of the kind, was conceived wholly in the interest of the poor against the rich. It had no other design than to adapt the currency to the convenience and wants of the country, the dropping out of the silver dollar being one of the least important of the measures to be accomplished.

* For a series of exhaustive and valuable articles upon the coinage of the United States, by Edward Stanwood, of the Boston *Advertiser*, see *Banker's Magazine* for April, May, and June, 1878.

In all the discussions in Congress, and in all the public documents having reference to the subject of coinage, from 1791 to 1853, the great theme was equalization of the values of gold and silver, so that with two metals there should, on account of their value, be no choice in the matter of standard. All attempts to secure such a result, however, signally failed. From 1792 to 1834 the nation was upon one basis—silver; from 1834 to 1853 it was upon one basis—gold. By the act of the latter year, the first attempt was made to strike at the root of the evil by subordinating silver to gold, by reducing the value of the former nearly seven per cent., and by restricting the legal competency of coins in circulation to payments not exceeding five dollars at any one time. The act of 1873 produced no change but to drop an obsolete provision from the statute-book. If the former proceeded from an upright purpose and was beneficent in its results, then the same may be emphatically asserted of the latter. If complaint was ever to be made, it should have been made of the act of 1834, which effectually demonetized silver, at the same time it left the country with nominally two standards. But that act has always been regarded as highly advantageous, for the reason that it led to the ultimate adoption of the gold standard, leaving it to the future to provide a subsidiary one of silver when the necessity therefor should be seriously felt. When the act of 1853 was passed a

large number of gold dollars were in circulation, a form of currency far more convenient than silver dollars; so that if there had been any necessity of coins of such denomination, this was already fully met. When the act of 1873 passed, not the slightest necessity was felt for dollars of either metal, from the abundance of paper money of a similar denomination, a far more convenient kind of currency than a metallic one. Not the slightest need has ever been felt for the silver dollar, nor would its restoration ever have suggested itself to a single person in the country, had the relative value of the two metals been maintained. The suggestion of the great wrong done in demonetizing it only came when it was seen that its value had fallen some ten per cent. It was then believed that by remonetizing it debts of all kinds could be scaled down in equal ratio. Hence the hypocritical howl of indignation, and the charge that the act of 1873 was the result of a conspiracy of the rich against the poor, to deprive the latter of their proper currency, as a means of increasing their burdens; and, by the same means, the gains of the former. Never was there a more gratuitous and false assumption. To cover its iniquity and to secure the desired result, every possible effort is now made to create a war of classes, to array labor against capital, the employed against the employer—efforts which now threaten the most disastrous results.*

* The act of Febuary 21st, 1878, remonetizing the silver dollar, pro-

In the demonetization of silver, the United States followed, from a similar reason, the example of England, an example which, for the same reason, is being followed by all other great commercial countries. England, as was natural, took the lead,

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vided that there shall be coined, at the several mints of the United States, silver dollars of the weight of 412½ grains troy of standard silver, as provided in the act of January 18th, 1837, on which shall be the devices and the superscriptions provided by said act, which coins, together with all silver dollars heretofore coined by the United States of like weight and fineness, shall be a legal tender, at their nominal value, for all debts and dues, public and private, except where otherwise expressly stipulated in the contract. And the Secretary of the Treasury is authorized and directed to purchase from time to time silver bullion, at the market price thereof, not less than $2,000,000 worth per month, nor more than $4,000,000 worth per month, and cause the same to be coined monthly, as fast as so purchased, into such dollars; and a sum sufficient to carry out the foregoing provision is hereby appropriated out of any money in the Treasury not otherwise appropriated. And any gain or seigniorage arising from this coinage shall be accounted for and paid into the Treasury, as provided under existing laws relative to the subsidiary coinage; *Provided*, That the amount of money at any one time invested in such silver bullion, exclusive of such resulting coin, shall not exceed $5,000,000; *And provided further*, That nothing in this act shall be construed to authorize the payment in silver of certificates of deposit issued under the provisions of section 254 of the *Revised Statutes*.

The second section of the act provided for inviting the countries composing the Latin Union—France, Italy, Switzerland, and Belgium—which had entered on an arrangement in reference to their coinage, and other European nations, to a conference, for the purpose of establishing, internationally, a relation of value between gold and silver, and a bi-metallic basis for the world.

The third section provided that "any holder of the coin authorized

for the reason that she long surpassed all nations in the extent of her manufacturing and commercial enterprises. With her increased wealth, gold became the more convenient solvent of transaction than silver. This is the sole reason for the change

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by this act may deposit the same with the Treasurer or any Assistant Treasurer of the United States, in sums not less than $10, and receive therefor certificates of not less than $10 each, corresponding with the denominations of the United States notes. The coin deposited for or representing the certificates shall be retained in the Treasury for the payment of the same on demand. Said certificates shall be receivable for customs, taxes, and all public dues, and, when so received, may be reissued."

This bill received the veto of the President, in the course of which he said: "If it is now proposed, for the purpose of taking advantage of the depreciation of silver in the payment of debts, to coin and make a legal tender a silver dollar of less commercial value than any dollar, whether of gold or paper, which is now lawful money in this country, such a measure, it will be hardly questioned, will, in the judgment of mankind, be an act of bad faith as to all debts heretofore contracted. The silver dollar should be made a legal tender only at its market value. The standard of value should not be changed without the consent of both parties to the contract. National promises should be kept with unflinching fidelity. There is no power to compel a nation to pay its just debts. Its credit depends on its honor. The nation owes what it has led or allowed its creditors to expect. I cannot approve a bill which, in my judgment, authorizes the violation of sacred obligations. The obligation of the public faith transcends all questions of profit or public advantage. Its unquestionable maintenance is the dictate as well of the highest expediency as of the most necessary duty, and should ever be carefully guarded by the Executive, by Congress, and by the people. It is my firm conviction that if the country is to be benefited by a silver coinage, it can be done only by the issue of silver dollars of full value, which will defraud no man. A

from a double to a single standard in that country. The latter was legally established in 1816, although gold for a long time had been the metal chiefly in use. So early as 1805, Lord Liverpool, in his celebrated letter to the king on the "Coins of the Realm," urged with convincing force that the coins which are the principal measure of property should be of one metal only, and that that metal should be gold, being the metal in which the principal payments had been made for the last hundred years.

An illustration still more striking than that afforded by England of the revolution in the use of gold and silver as money, due to the requirements of an enlarged commerce, and in accordance with the spirit of the age, is that afforded by France. That country has been regarded as especially the champion of the silver interest, and her example constantly appealed to as an argument in favor of the remonetization of silver in our own. So far from affording any argument of the kind, her action, for the last 27 years, presents the strongest possible reason against it. Up to 1850 the coinage of France had been almost wholly of silver. From 1795 to

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currency worth less than it purports to be worth will in the end defraud not only creditors, but all who are engaged in legitimate business; and none more surely than those who are dependent on their daily labor for their daily bread."

The bill receiving the votes of two-thirds of the members of each House, became a law, notwithstanding the veto of the President.

1850, its total coinage of gold equaled 172,752,000 francs; of silver, 4,204,366,000 francs. From 1850 to 1876 inclusive, the coinage of gold equaled 8,074,-900,000 francs; of silver, 1,046,112,000 francs. For the period first named (55 years), the excess of the coinage of silver over gold equaled 4,031,614,-000 francs; for the latter period of 27 years, the excess of coinage of gold over silver equaled 7,028,-788,000 francs. In 1850, the reserves of the Bank of France, amounting to 458,780,000 francs, consisted of 11,980,000 of gold and 446,800,000 silver. On the 23d of June, 1876, the coin reserves of the Bank, amounting to 2,049,598,000 francs, consisted of 1,463,400,000 of gold and 586,198,000 of silver. In 1850, the proportion of gold reserves equaled about 2½ per cent. of the whole. In 1876, it equaled about 75 per cent. of the whole.

To what was this mighty revolution due? Simply to the vastly increased wealth of the nation, and to a wise adaptation of means to ends. Silver is no longer the convenient standard for that country, which has, consequently, for some time past wholly ceased coining it. The problem before that country in which, whatever the reason, the amount of metallic currency in circulation far exceeds that in any other, was the substituting gold for silver, and discharging the latter from a function which it so long exercised,—one involving very grave difficulties, and requiring very great wisdom and steadiness of purpose in surmounting them. The pre-

ceding statement shows how vast the progress that has already been made. France had, and still has, large sums of silver to be disposed of. The amount of metallic money in it, in 1873, was estimated by the best authorities at 5,500,000,000 francs, of which 4,000,000,000 consisted of gold and 1,500,000,000 of silver. There is probably 1,500,000,000 less silver in the country than there was in 1850; while the amount of gold in it has been almost wholly accumulated since that time. The Bank of France long postponed resumption, after its suspension in 1870 from the complications growing out of the German war, in order to be in a position to deal with the question before the nation in a more independent manner than it could do were it constantly exposed to attack from the holders of its notes. At no time, however, were its notes at any considerable discount. Their average depreciation for 1873 equaled only three-quarters of 1 per cent. They were at the par of gold through the whole of 1875, 1876, and 1877, the Bank formally resuming January 1st, 1878. Those requiring gold in their business operations could always get it; at the same time the Bank reserved for itself the right to pay it or not, to suit its ideas of what was due to the relations it sustained to the great problem which was being worked out for the whole country.*

* The following statement will show the average amount in

The third great commercial country of Europe, Germany, has accomplished a more complete revolution than France in her monetary system. Immediately upon the close of the war in 1870, Germany entered upon the reformation of its currency, which then consisted chiefly of silver, the object being to establish one standard—gold, sil-

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dollars of notes in circulation, and of coin reserves, of the Bank of France for the past five years:

	Notes.	Coin Reserves.
1873	$568,000,000	$157,000,000
1874	542,000,000	197,000,000
1875	507,000,000	314,000,000
1876	499,000,000	368,000,000
1877	511,000,000	435,000,000

The following statement will show the amount of notes of different denominations in circulation on the 31st of January, 1877, and on the 25th of January, 1876.

Notes of	Jan. 31st, 1877. Francs.	Jan. 25th, 1876. Francs.
5,000	45,000	30,000
1,000	1,412,820,000	1,110,123,000
500	366,924,500	241,868,000
200	649,000	682,000
100	684,648,600	1,189,864,000
50	32,545,200	100,138,250
25	824,650	995,250
20	12,541,480	26,025,180
5	1,093,820	1,288,620
Old notes	437,500	443,000
Total	2,512,529,750	2,671,727,000

It will be seen that the whole amount of notes in circulation of less amount than 50 francs, or 10 dollars, equaled, January 31st,

ver to take the place of subsidiary coins. In 1871, it announced that the law for the demonetization of silver would take effect January 1st, 1876. At the end of March, 1878, the whole amount of old coins withdrawn equaled 1,061,000,000 marks (of 23.8 cents each), of which 91,000,000 marks were of gold, and 970,000,000 of silver. The government estimates that 5,000,000 pounds of silver, equaling 320,000,000 marks, or $75,000,000, are still to be taken in. The total amount of new money coined equaled 2,005,200,000 marks, of which 1,579,700,000 were of gold, and 425,500,000 marks of silver; the subsidiary silver coins being only about one-fifth of the whole.

From what has preceded, it will be seen that the final demonetization of silver by the United States, in 1853 and 1873, was an act fully in harmony with the policy of all great commercial nations as well as the dictates of convenience and common sense. Never before in this country, and never before in any other, was the subject of coinage made the occasion of dividing the people into two great hostile

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1877, only the aggregate of 14,897,450 francs, or $2,979,490. The absence of small notes in France is one of the reasons for its enormous amount of metallic money. In this country almost the whole amount of government and bank notes in circulation consists of notes of $10 or under. In England no notes are in circulation of less amount than £5; but in that country every one in business keeps an account with a bank or banker, and makes payments by checks drawn for any sum.

camps; nor has it been before suggested that a coinage of one metal was appropriate to the poor, and that that of another was appropriate to the rich. As well might it be urged that one system of weights and measures was appropriate to the rich, who could buy in gross, and another to the poor, whose means would only allow them to buy piece by piece. But measures with which the rich buy are divided off into parts precisely as are those used by the poor. But it is useless to waste time upon a question like this, the answer to which is palpable to all not blinded by interest or passion.

It is always to be remembered that gold and silver, as money, are, in ratio to their value, always equally costly in acquisition and maintenance. A dollar's worth of gold will always command a dollar's worth of silver, and a dollar's worth of silver will always command a dollar's worth of gold. The monetization of silver will add not a single dollar to the metallic or paper money in circulation. It will rather diminish it, as with the use of inferior instruments of production and distribution the general result will be less. From 1851 to 1860 inclusive, the country was practically upon a mono-metallic basis, there being no legal-tender silver dollars in circulation, the few coined having been exported at their bullion value. That there was no want of metallic money, of any kind, during this period is shown by the fact that within it the excess of ex-

ports over imports of coin equaled $417,742,000; the former equaling $495,112,000, the latter, $77,-588,000; the exports exceeding the imports by $41,764,200 annually. During the same period the coinage at the mint of the United States equaled $378,000,000, more than three-fourths of which must have been exported. The total issue of legal-tender silver dollars in this period, the coinage of which was entirely free, equaled $1,154,-190; of gold, $330,263,000; of subsidiary silver coins, $46,583,000. Why was not a larger amount of the gold and silver produced in the country retained in it? Simply for the reason that it was more for its interest to export than to retain them. After all the export, there was a plenty left. The period referred to was one of unexampled prosperity. Not a dollar more of coin would have remained in the country, had the coinage been equally divided between the two metals, while great inconvenience and loss would have resulted from any attempt to force an equal circulation of the two.

The necessary effect of the remonetization of silver, at a value 10 per cent. less than its bullion value, will be to give us but one standard, and that differing wholly from that of the country (England) through which all our remittances and payments to foreign countries have to be made. The standard of England is practically that of all commercial

countries. All our money shipped to that country will not be money there, but merchandise, to be converted into money before payment can be made. For such purposes, silver would not necessarily have any preference over pork or flour. It would constantly fluctuate, like these articles, so that an American merchant engaged in foreign trade could never tell how he stood, or the amount of means necessary for the payment of his debts. The very fact that these were to be paid at a certain day, and that a large amount of silver, the money of his own country, but of no other with which he was dealing, was to be thrown upon a foreign market, would exert a powerful influence in aggravating the fluctuations in price to which it was ordinarily subject. A standard of value for ourselves differing from that of other nations will have the effect to throw us out of relations with all. Our whole commerce with them will then be in the form of barter, with all the isolation which this implies. We shall at once take a subordinate position in reference to all, and this, too, at the very moment when our own, with other nations, is laboring so persistently and earnestly to unite all in closer bonds by a system of coinage and a standard common to all.

Another and sufficient objection to the use of silver as a standard of value, is the violent fluctuations in its value. Its value in England, from 1833

to 1873, averaged about 60*d.*, the standard ounce; the lowest price being 57⅛*d.* in 1846, the highest 62¾*d.* in 1858. Prices in this country necessarily correspond with the prices in England. The fluctuations considerably exceeded 1 per cent. annually. Had silver been the standard, such fluctuations, slight as they were, would have been productive of great disturbance and loss. After 1872, the fluctuations became much more rapid and excessive. Within a period of 30 consecutive days, in the latter part of May and the 1st of June, 1876, silver fell from 52*d.* to 46½*d.* the ounce, the degree of fall equaling 11 per cent. Had silver been the standard, and had the fall been a permanent one, the purchasing power of the whole paper money of the kingdom, equaling $2,750,000,000, would have fallen in like ratio, the aggregate decline equaling $300,000,000. Such a fall could not have taken place without carrying bankruptcy and ruin throughout the land. As it was, the decline of value, being that of but one article of merchandise (silver bullion probably not exceeding in amount the sum of $60,000,000), was not more than $6,600,000. The difference between the highest and lowest price of silver throughout the year equaled nearly 21 per cent., the range being between 58½*d.* and 46¼*d.* Had a corresponding decline in the purchasing power of the paper currency of the kingdom taken place, the amount would have equaled $577,500,000! Of course, the theoretical effect, where the

price was constantly fluctuating, would not be fully realized; but it would be realized to a degree sufficient to disorganize all kinds of industry and trade, producing an incredible amount of disturbance and loss.

The amount of the paper money of this country, including notes and deposits of banks, and excluding government money, equals $1,250,000,000. The fall of 1 per cent. in the value of the standard would cause a corresponding fall in the paper circulation of the country. If there were $300,000,000 of silver coin constituting our standard, a fall equal to 1 per cent. of it would reduce the purchasing power of the whole currency of the country by $15,500,000. The difference between the highest and lowest prices of silver for each month in 1876, in London, and consequently in this country, equaled 27 points, the aggregate equaling very nearly 50 per cent. of the value of the metal. Were the daily variations calculated, the total fluctuations for the year would amount to far more than the price of the metal itself. In 1858 the silver dollar of the United States was at a premium of 3.95 in gold; in 1859, at a premium of 5.22; in 1860, at a premium of 4.58; and in 1861, at a premium of 3.00. Its fluctuations, long before the recent decline was even anticipated, proved it to be wholly unfit to serve as the standard of value. How much less is it fitted to be the standard since the tremendous fluctuations that have occurred in it since 1873!

The great sufferers from a depreciated and fluctuating currency are always laborers for wages; a class which composes a large majority of the citizens of this country. They are the chief sufferers by the Silver bill. As the purchasing power of the new money is reduced 10 per cent., their wages will be reduced 10 per cent. As the nominal rate of their wages will long remain unchanged, the rates of compensation will be correspondingly reduced. In time they may get some relief, but only by demonstrating that they can no longer subsist on their reduced compensation. Whatever the disturbance and disaster to follow the remonetization of silver, they will be the first to feel the effect. They have no mode of escape. They cannot well change their places or occupations, but must toil on, as best they can, through all the calamities that befall them. The products of their labor, when gathered up into the great reservoirs, constitute the capital of the United States. Upon them, in fact, rests the great fabric of society. To every one of them the monetization of silver is an unmitigated evil. The difference between the nominal and the real value of the coins, their labor must in great measure make up.

PART IV.

LEGAL-TENDER CURRENCIES.

LEGAL-TENDER CURRENCY OF THE MONGOLS.

THE first legal-tender money issued on a large scale, of which we have any detailed account, was issued, as might be expected from the priority of its civilization, in Asia:

"The issue of paper money in China," says Colonel Yule, in his edition of "Marco Polo's Travels,"* "is at least as old as the beginning of the ninth century. In 1160, the system had gone to such excess that government paper equivalent in nominal value to 43,600,000 ounces of silver had been issued in six years, and there were local notes besides, so that the empire was flooded with rapidly depreciating paper.

"The 'Kin' or 'Golden' Dynasty of Northern invaders who immediately preceded the Mongols took to paper, in spite of their title, as kindly as the native sovereigns. Their notes had a course of seven years, after which new notes were issued to the holders, with a deduction of fifteen per cent."

To the "Kin" or "Golden" Dynasty succeeded that of the Mongols, of whose paper money we have

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* "Marco Polo's Travels," edited by Colonel Yule, vol. i., p. 380. John Murray, London, 1871.

the following account, taken from the 24th chapter of Marco Polo's narration. Polo spent a considerable portion of the period from 1275 to 1291 at the court of Kublai Khan, and was in a position to be fully informed of the financial system of the great empire:

"Now that I have told you in detail of this splendor of the city of the Emperor, I shall proceed to tell you of the Mint which he hath in the same city, in the which he hath his money coined and struck, as I shall relate to you. * * * The Emperor's Mint, then, is in this same city of Cambaluc (now Peking), and the way it is wrought is such that you might say he hath the Secret of Alchemy in perfection, and you would be right! For he makes his money after this fashion.

"He makes them take of the bark of a certain tree, in fact of the mulberry-tree, the Leaves of which are the food of the silkworm. * * * What they take is a certain fine white bast, or skin, which lies between the wood of the tree and the thick outer bark, and this they make into something resembling sheets of paper, but black. When these sheets have been prepared, they are cut up into pieces of different sizes. The smallest of these sizes is worth a half tornesel; the next, a little larger, one tornesel; one, a little larger still, is worth half a silver groat of Venice; another, a whole groat; others yet, two groats, five groats, and ten groats. There is also a kind worth one Bezant ($10) of gold, and others of three Bezants, and so up to ten. All these pieces of paper are issued with as much solemnity and authority as if they were of pure gold or silver; and on every piece a variety of officials, whose duty it is, have to write their names, and to put their seals. And when all is prepared duly the chief officer deputed by the Khan smears the seal intrusted to him with vermilion, and impresses it on the paper, so that the form of the seal re-

mains stamped upon it in red; the money is then authentic. Any one forging it would be punished with death. And the Khan causes every year to be made such a vast quantity of this money, which costs him nothing, that it must equal in amount all the treasure in the world.

"With these pieces of paper, made as I have described, he causes all payments on his own account to be made; and he makes them to pass current universally over all his kingdoms and provinces and territories, and whithersoever his power and sovereignty extend. *And nobody, however important he may think himself, dares to refuse them on pain of death.* And indeed everybody takes them readily, for wheresoever a person may go throughout the great Khan's dominions, he shall find these pieces of paper current, and shall be able to transact all sales and purchases of goods by means of them just as well as if they were coins of pure gold. And all the while they are so light that ten Bezants' worth does not weigh one golden Bezant.

"Furthermore all merchants arriving from India or other countries, and bringing with them gold or silver or gems and pearls, are prohibited from selling to any one but the Emperor. He has twelve experts chosen for this business, men of shrewdness and experience in these affairs; these appraise the articles, and the Emperor then pays a liberal price for them in these pieces of paper. The merchants accept his price readily, for, in the first place, they would not get so good an one from anybody else, and, secondly, they are paid without any delay. And with this paper money they can buy what they like anywhere over the Empire, whilst it is also vastly lighter to carry about in their journeys. And it is a truth that the merchants will several times in the year bring wares to the amount of 400,000 Bezants, and the Grand Siri pays for all in that paper. So he buys such a quantity of those precious things every year that his treasure is endless, whilst all the time the money he pays away costs him nothing at all.

Moreover, several times in the year, proclamation is made throughout the city that any one who may have gold or silver, or gems or pearls, by taking them to the Mint shall get a handsome price for them (in his notes). And the owners are glad to do this, because they would find no other purchaser give so large a price. Thus the quantity they bring in is marvelous, though those who do not choose to do so may let it alone. Still, in this way, nearly all the valuables in the country come into the Khan's possession.

"When any of these pieces of paper are spoiled—not that they are so very flimsy either—the owner carries them to the Mint, and by paying three per cent. on the value he gets new pieces in exchange. And if any baron, or any one else soever, hath need of gold or silver, or gems or pearls, in order to make plate, or *girdles*, or the like, he goes to the Mint and buys as much as he list, paying in this paper money.

"Now you have heard the ways and means whereby the Great Khan may have, and in fact *has*, more treasure than all the kings in the world; and you know all about it, and the reason why."

"Pauthier," says Colonel Yule, "has given, from the Chinese Annals of the Mongol Dynasty, a complete Table of the Issues of paper money during every year of Kublai's reign (1260–1294), estimated at their nominal value in *Ting*, or tens of silver ounces. The lowest issue was in 1267, of 228,960 ounces, which at the rate of 120*d.* to the ounce equaled £572,400, and the highest was in 1290, viz., 50,002,500 ounces, equivalent at the same estimate to $125,066,250, whilst the total amount in the 34 years was 249,654,290 ounces, or $624,135,720 in nominal value. Well might Marco speak of the vast quantity of such notes that the Great Khan issued annually!"*

So much for the legal-tender money of the Great

* Yule's Marco Polo, vol. i., p. 378.

Mogul, Kublai Khan, from which our own is faithfully copied. Its circulation was enforced by penalties somewhat more rigid than those by which we seek to enforce that of our own. We may refuse to receive our money, perhaps at the risk of starvation; but the Mongols could not refuse theirs without the loss of their heads. It is probable, however, that the money of each was equally current, as in both countries every one would be glad to get it at a price. The same formality obtained in both in the mode of its attestation and issue. In both, the State—for Kublai Khan, long before Louis XIV. was born, and with far more reason, uttered the kingly maxim, "L'État c'est moi"—issued whatever it required. The fancies of the Khan ran to gems and gold as well as to approved munitions of war.* Merchants undoubtedly had a good thing in the money, as they could sell their treasures with very little higgling, for the Khan could well pay a good round price using that which cost him nothing, while they could pay a good round price for whatever they wished to purchase; the people having

* Kublai Khan, with his untold treasures, got by his paper money, undoubtedly sat as the original of Milton's famous picture of Satan. Milton in his earlier days spent a considerable time in Italy, and must have been well read in the works of the great traveler.

> "High on a throne of royal state, which far
> Outshone the wealth of Ormus and of Ind,
> Or where the gorgeous East, with richest hand,
> Showers on her kings barbaric pearl and gold,
> Satan exalted sat."

about the same choice in taking the money as a defenseless traveler has in refusing his, when demanded by a dozen resolute footpads. The occasion of the issue of an enormous sum, equaling $125,006,250, in one year, was probably a "Black Friday," the work of some Mongol speculator (for human nature is not confined to races or political boundaries). Some tender-hearted man, a dear lover of his kind, was probably "Secretary of the Treasury," and undoubtedly sought to assuage the shock by a bounteous issue of money. The amount put out during Kublai Khan's reign was fairly plentiful, equaling about $20,000,000 annually, and fully proved him to be a man of the people. His ear was always open to the cry of distress. Were he President of the United States, with the power he possessed in his own country, the outraged South and West would not long have to wait the full gratification of their most just and ardent desires.

"The Ming Dynasty," continues Colonel Yule, "for a time carried on the system of paper money; with the difference that, while under the Mongols no other currency had been admitted, their successors made payment in notes, but accepted only hard cash from their people! In 1448 the *chao* of 1,000 cash was worth but 3!"

The difference between the Mongol and the Ming dynasties certainly cannot be urged in favor of the latter. The Mongols did not set themselves up as better than other people. The money that was good enough for the ruled was good enough

for the ruler. Indeed, of what use could gold and silver be as money when they had a plenty of paper, "backed by all the wealth of the empire—horses, cattle, and lands, as well as the gold and silver"? The greater certainly included the less. That of the Mongols was Mr. Butler's ideal money: a plenty for the country, while not a dollar would circulate in any other! The stream was always full. Modern "balance of trade" never reduced its majestic current. The Mings, on the other hand, were "genuine gold worshipers," "bloated bondholders," "remorseless Eastern capitalists," paying, or contracting to pay, in paper, but accepting nothing but gold! Indeed, their action in practically demonetizing, by refusing to receive, paper money, was the cause of its falling so low; just as silver fell after its fraudulent demonetization in 1873, due to the odious moneyed oligarchy!

"Two notable and disastrous attempts," continues Colonel Yule, "to imitate the Chinese system of currency took place in the Middle Ages: one of them in Persia, apparently in Polo's very presence; the other in India, some thirty-six years later.

"The first was initiated, in 1294, by Kaikhatu Khan, when his own and his minister's extravagance had emptied the treasury, on the suggestion of a financial officer (Secretary of the Treasury), called Izzuddin Muzaffar. The notes were direct imitations of Kublai's, even the Chinese characters being imitated as part of the device upon them; the Chinese name *chao* was applied to them; and the Mongol resident at Tabriz, Pulad Chingsang, was consulted in carrying out

the measure. Expensive preparations were made for this object; offices, called Chao-Khanahs (Sub-Treasuries), were erected in the principal cities of the provinces, and a numerous staff appointed to carry out the details. After the constrained use of the chao for two or three days Tabriz was in an uproar; the markets were closed; the people rose and murdered Izzuddin; and the whole project had to be abandoned."

The Tabrizzians were certainly the most singular people the world has yet seen; and, judged by our own standard, and by the laws of money laid down in the books, stood greatly in their own light. Why should they not have accepted a money which every writer upon the subject has pronounced to be as good as gold and silver, provided only that it did not exceed the amount of gold and silver it displaced? Why did they not use this lighter, more portable, and more convenient money, sending off their gold and silver as merchandise to other countries? As their example stands alone in history, influences must have been at work of which Marco Polo gives no account, though he was at the time at the court of Kaikhatu Khan. These influences were undoubtedly the work of base and malevolent "Eastern capitalists," who could not bear to see the poor people come so easily into the possession of money which threatened to rival and supplant their own, heaped up with such infinite patience and toil. They undoubtedly poisoned the public mind against the new money. Pulad Chingsang, to whom this matter was intrusted at Tabriz,

should have played his cards more skillfully. We do things better at Washington. Our Secretary of the Treasury makes everything even by the skillful application of a wise "equivalency," so that the people will not give a fig for the choice between gold, silver, and paper. The want of such an "equivalency" was the rock upon which Pulad Chingsang made shipwreck of his reputation; and the "Secretary of the Treasury," Izzuddin Muzaffar, came to an untimely end. The failure of this scheme is the more singular as Kaikhatu Khan was a nephew of the great Kublai, and had the benefit of the example and instruction of his illustrious, benevolent and far-sighted uncle.

"The other like enterprise," to quote from Colonel Yule, "was that of Sultan Mahomed Tughlak of Delhi, in 1330–31. This also was undertaken for like reasons, and was in professed imitation of the Chao of Cathay. Mahomed, however, used copper tokens, instead of silver, the copper being made, apparently, of equal weight to the gold or silver coin which it represented. The system seems to have had a little more vogue than at Tabriz, but was speedily brought to an end by the ease with which forgeries, on an enormous scale, were practiced. The Sultan, in hopes of reviving the credit of his currency, ordered that every one bringing copper tokens to the treasury should have them cashed in gold or silver. The people, who in despair had flung aside their copper coins like stones and bricks in their houses, all rushed to the treasury and exchanged them for gold and silver. In this way the treasury soon became empty, but the copper coins had as little circulation as ever, and a very grievous blow was given to the State."

It must be regarded as unfortunate that our "Secretary of the Treasury" did not hold, under Sultan Mahomed Tughlak, the position he now holds at Washington; or rather, that Tughlak's secretary had not had some prescience of the methods by which our Secretary is going to accomplish results precisely similar to those in vain attempted by Tughlak, or his "Secretary of the Treasury." The latter should never have attempted to thrust recklessly upon the people his copper coinage at the par of gold. Gentle methods are far more powerful than the thunderbolt itself. The new coins, as fast as they came from the mint, should never have seen daylight, but should have been stowed away in some snug corner of the treasury, and certificates issued therefor in the following fashion:

"**Kingdom of Delhi.**

No. 13,333. 10,000 Chao.

This certificate represents 10,000 copper chao, coined at the value of gold, and every whit as good; and is payable to bearer on demand. It is also receivable at the par of gold in payment of the revenues.

(Signed,) JOHN ALADDIN,
Secretary of the Treasury.

1 Moharrem, 749."

This would have done the business, for who could have wanted gold when copper certificates would have answered every purpose of gold? Had our Secretary lived some six hundred years ago, he might, by putting his certificate method so

early in practice, have revolutionized history by changing the face of the world. For want of this, Tughlak failed in a most excellent scheme, came within an ace of losing his head, inflicted a grievous and lasting blow upon his State, and checked, perhaps for centuries, the progress of mankind.

The end of Kublai Kahn's money may be easily told. When he paid his great debt to nature, he paid, at the same time, all lesser ones.

In reference to the note, a fac-simile of which is given as a frontispiece, Colonel Yule says:

"I have never heard of the preservation of a note of the Mongols; but some of the Ming survive, and are highly valued as curiosities, in China. The late Sir G. T. Staunton appears to have possessed one; Dr. Lockhart formerly had two, of which he gave one to Sir Harry Parkes, and retains the other. The paper is so dark as to explain Marco's description of it as black. By Dr. Lockhart's kindness I am enabled to give a reduced representation of this note, as near a fac-simile as we have been able to render it, but with some *restriction*, e. g., of the *seals*, of which in the original there is the faintest indication remaining." *

* Although in monetary science we are not a whit in advance of the Mongols of the thirteenth century, we need not wholly lose our self-respect, but may even take some comfort in the fact that we certainly far surpass them in the science of locomotion. When Marco Polo was at the court of the Great Khan, in 1291, there came an embassy from Arghun Khan of Persia, representing that his master's favorite Mongolian wife, having recently died, had desired to be succeeded by a lady of her own tribe from her native land of Cathay. An intelligent and lovely maiden of seventeen years,

THE LEGAL-TENDER CURRENCY OF THE REVOLUTION.

The second government paper-money issued, but far eclipsed by that of the Mongols, on a grand scale, was that of the Revolutionary currency of the United States. The government at the time was provisional, having no other purpose than the assertion of the rights of the colonies, and might cease with the adjustment of the controversy with the parent country. It consisted of a collection of delegates from the several colonies, and lacked, in theory at least, the power of taxation. In the

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rejoicing in the name of Cocachin, was selected by the great Kublai as the future spouse of his nephew, and handed over to the embassy to be conveyed to her new home. Marco Polo, who had long been anxious to "carry his gear and his gray beard to his native lagoons," solicited permission to join the embassy. Indeed the lady was confided to his especial care from his known probity and great experience as a traveler. Something over two years elapsed before the embassy, with its fair charge, reached Tabriz. Upon its arrival, great was the consternation of all to find that Arghun had been long dead, Kaikatu, his brother, reigning in his stead—the embassy having consumed nearly as much time in going to, as in returning from, the land of Cathay. A catastrophe was happily averted. The princess, as sensible as she was fair, finding Ghazan Khan, son of Kaikhatu, and heir apparent, to be a man of good qualities and pleasing address, readily transferred her affections from the dead to the living; and the toils and dangers of the long journey were quickly forgotten in the marriage festivities which followed.

emergency, an issue of notes naturally suggested itself, although the disasters resulting from similar issues in nearly every colony must have been fresh in the minds of all. The argument of necessity prevailed, and on the 22d of June, 1775, an issue of $3,000,000 was made. Such was the beginning of the Continental money, as humble and insignificant in the outset as the Genie of the Arabian tales, whom a small bottle at first sufficed to hold, but who, freed from his imprisonment, swelled into proportions so vast as to infold both sea and land. But the Genie could contract as well as expand. In a freak of vanity, to show his power, he crept back again into the bottle, which the fisherman, who had unwittingly set him free, instantly closed, and so escaped with his life. Here the parallel ends; for the genie of the printing-press, from an equally insignificant beginning swelled into proportions still vaster than those of his prototype, which no power, not even his own, could reduce, and could be got rid of only by his death, but not till a whole nation was very nearly brought to the same desperate pass.

The following is a copy of the notes first issued:

"CONTINENTAL CURRENCY.

"No. ——— ——— dollars.

"This bill entitles the bearer to receive [from one to twenty] Spanish milled dollars, or the value thereof in gold or silver, according to the resolution of the Congress, held at Philadelphia, on the 10th day of May, A.D. 1775."

The notes, which were made legal tenders by the government, as well as by the Federal States, were distributed among the latter in ratio to their population, or to the quotas they were to furnish for the war. Each, it was assumed, would undertake to retire the amounts awarded it. The first issue being soon exhausted, a like amount was ordered on the 26th of November, 1775, and an additional one of $4,000,000 on the 17th of February, 1776. Before the close of 1775, however, and when only about $3,000,000 were actually in circulation, the notes began to decline in value. The first hesitation to receive them was on the part of the Quakers, on account, it was alleged, of their hostility to war. The government, or Congress, lost no time in looking into the matter, and on the 17th of January, 1776, passed an order that, whoever should refuse to receive its notes, "should be deemed, published, and treated as an enemy of his country." Newspapers and pamphleteers immediately took up the subject and proved, to their satisfaction, the notes to be "as good as gold." The groundwork of their argument was that whatever was agreed upon as money, was money, and equal in value to silver and gold.

The necessities of government continuing, a further issue of $5,000,000 was authorized on the 6th of May, 1776. A serious decline in the value of the notes followed. Pursuant to directions issued to him, General Putnam, then commanding in Phil-

adelphia, issued an order that in case of any one refusing to take the money for goods offered to be purchased, such goods should be forfeited and the offender thrown into prison. The necessary effect of such order was to accelerate the decline, so that, in December, 1776, one dollar of silver would command two of paper. Congress, as was natural, was greatly alarmed, and on the 4th of January, 1777, passed a resolution that "its notes were equal in value to, and ought to pass at the rate of, gold; and that any person refusing to receive them at such rate should be deemed an enemy of his country, and should forfeit the value of the money, or of the house, lands, or commodity offered to be purchased." The resolution of course produced no other effect than to hasten the decline.

As the people, in numerous instances, refused to take them, Washington was authorized to seize whatever he deemed necessary for the support of the army; and if the owner would not accept the notes in payment at a fair rate, he was liable to be thrown into prison. Such penalty was speedily reinforced, by the passage by Congress of a resolution declaring that any person who should refuse to receive government notes offered in payment for goods should forfeit the goods, and in addition pay a fine of five dollars where the goods purchased were of less value than that sum; and a penalty equal to their value when that exceeded five dollars. For a second offense, the offender was

liable to banishment from the State to any place which the committees of safety of the States where the offense was committed might designate.

Government, having no other resource, continued the issue of notes, regardless of their decline. To sustain their price, the States were recommended to establish tariffs of prices. The New England States met for such purpose, by delegates, in Providence, on the 25th of January, 1777, and established a rate by which a bushel of wheat was to be sold at 7*s.* 6*d.* in notes; one of rye, at 5*s.*; a gallon of rum at 6*s.* 8*d.*; a pound of raw cotton at 33*s.*; and so on through the whole list of articles entering into consumption. Other States followed their example. Government, in the mean time, continued the issue of notes, which for the year 1877 equaled $13,000,000. Their value at that time was in ratio of 4 to 1 of specie. To meet the decline, it was attempted to reduce their amount by making requisitions upon the States for $5,000,000. Nothing came of these; on the other hand, the amount of notes was increased by repeated issues, so that by the end of April, 1878, their total amount equaled $51,000,000. In May of that year came the news of the French alliance, in consequence of which the notes rose somewhat in value. Congress was greatly elated, and issued a spirited address to the people, in which the vast resources of the country, and the consequent value of its notes, were fully

set forth. These again soon and largely declined, and correspondingly increased issues had to be made, government having no other resource. By the close of 1778 the whole amount outstanding reached $101,500,000. The attention of reflecting minds was now turned to the situation; and the repeal of the laws seeking to make the value of the notes equal to that of gold was already urged. They had so fallen in value that such provision was regarded as too absurd to longer have a place upon the statute-book. This suggestion was speedily adopted, and by it the first decisive blow was given to the credit of the notes. It was an acknowledgment of a difference between them and gold; and if so, in what did this difference consist? The whole question of their value, which had always been avoided, was now up for discussion. Their holders at once saw the abyss over which they stood. It was charged that the Act of Congress meant repudiation. This was indignantly denied; Congress as usual protested its good faith—that every dollar of its notes should be faithfully paid. The time, however, in which such protestations could have effect had passed. The notes continued to decline much more rapidly than ever. That they did not at once go out of circulation was due to the fact that every issue served to pay old debts at a reduced cost to the debtor. Swindling was at once reduced to a system, Congress all the time abetting it by constant issues, always put upon the

market, each at a less rate than the preceding one.*

At the close of 1778 the value of the notes had sunk in the ratio of 8 to 1 of coin. Great distress and despondency were the result. The most potent enemy with which the government had now to deal was its own money. It had no other resource, and this was fast failing it. As a necessary expedient, it invested Washington with dictatorial powers. But he was almost without any other resource than that supplied by his own great

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* It is well known that Washington, after a certain period, refused to receive the government notes, in payment of debts contracted previous to its issue. The following extract, from Sparks's "Life of Washington," will show what he thought of payments made in government notes (p. 443):

"When the army was at Morristown, a man of respectable standing lived in the neighborhood, who was assiduous in his civilities to Washington, which were kindly received and reciprocated. Unluckily, this man paid his debts in the depreciated currency. Some time afterward, he called at headquarters, and was introduced as usual to the General's apartment, where he was then conversing with some of his officers. He bestowed very little attention upon the visitor. The same thing occurred a second time, when he was more reserved than before. This was so different from his customary manner, that Lafayette, who was present on both occasions, could not help remarking it; and he said, after the man was gone, 'General, this man seems to be much devoted to you, and yet you have scarcely noticed him.' Washington replied, smiling, 'I know I have not been cordial: I tried hard to be civil, and attempted to speak to him two or three times; but that Continental money stopped my mouth.'"—*Life and Writings of Washington*, vol. I., p. 133.

character. For want of pay a mutiny broke out in the army stationed at Morristown, threatening the gravest consequences. This was only averted by the influence and address of the Commander-in-chief. While the army was, for want of means, unable to achieve anything worthy of itself, and was filled with discontent bordering upon insubordination, the operations of commerce and trade were completely paralyzed. Never was there a more wretched picture than that presented by the United States, during the reign of paper money, for the four years beginning with 1776 and ending with 1779.

The financial position becoming daily more and more critical, government attempted to raise the value of the notes by reducing their amount by requisitions upon the States. This expedient entirely failed. New notes had to be issued in large amounts, and matters went continually from bad to worse. A corresponding rise in prices took place, charged to forestallers and monopolizers, and to combinations of the rich to oppress the poor. Flour had now risen to nearly a dollar a pound; salt to forty dollars a bushel, and all other articles of consumption in equal ratio. In the leading towns meetings were held to denounce, in the words of the one held in Boston, "monopolists and extortioners, who, like canker-worms, are gnawing upon your vitals; who are reducing the currency to waste paper by refusing to take it for many arti-

cles. We have borne with such wretches, but we will bear with them no longer. Boston shall no longer be your place of security. Ye inhabitants of Nantucket, who first introduced the accursed crime of refusing paper money, quit the place, or destruction shall attend your property, and your persons shall be the objects of vengeance!"

Congress still went on as in the past, issuing its notes, and issuing addresses to show their unquestioned value. "Let us suppose," it said, in an appeal to the people, "that the whole debt at the close of the war will equal $300,000,000, of which $200,000,000 will be notes, and $100,000,000 interest-bearing debt; such a sum will average only $100 per head. What is such a paltry sum to a people occupying and owning a vast continent, and whose numbers double every twenty years? How light, within such time, will be the burden of such a debt! The share of the poor people will not equal $10 a head." * All such appeals had now no other effect than to increase the general alarm. The amount of notes issued in 1779 equaled $140,000,000. The amount realized on this vast sum did not probably exceed $5,000,000 in coin. The total amount of the notes had now reached $241,000,000. At the end of the year, when their issue ceased,

* The expenditures of the United States for 1777 amounted to $62,250,000 payable in notes, $78,660 in specie and $28,525 in *livres*.

their value had fallen to 40 for 1. As a further issue of notes similar in kind was not to be thought of, Congress attempted to get in the old, in order to open the way to an issue of new notes having a higher value. It made requisitions upon the States, payable in notes, to the amount of $15,000,000 monthly. At the same time it provided that the requisitions might be paid in coin at the rate of one to forty of the notes. As fast as the old notes came in, new notes were to be issued, at the rate of one to twenty of the old, payable on demand in specie, and bearing interest at the rate of five per cent. It was hoped that the provision of interest would maintain them in circulation. The public, however, had been so often deceived, that no assurance of the kind coming from Congress had any effect whatever. The days of Continental money were numbered. Congress did not attempt to enforce the circulation of the new notes. The old continued to be in circulation, and to be actively dealt in, till they fell to the rate of 500 to 1. To that rate of depreciation there were always enough ready to take them in the expectation that some provision might ultimately be made therefor.

When the notes went wholly out of circulation, they were still legal tender at their nominal value in the payment of debts. Such provision, however, was regarded as too monstrous to be availed of by the most unprincipled and desperate. One might,

with the same reason, have offered a pebble, picked up on the streets. Early in 1781 Congress took up the matter, and recommended a total repeal of the legal-tender quality of the notes. The States which had made the notes their own followed with similar recommendations. They had then ceased to have any market value. So long as it was supposed that they possessed any value resulting from the probability of their payment, the legal-tender provision re-enforced such value. When the public became satisfied that the notes never would be paid, the clause ceased to have any force or effect whatever.

Upon the fall of the government currency, the country was not wholly destitute of a circulating medium. In anticipation of such fall, specie had already begun to make its appearance. Before the close of 1780, large amounts were in circulation. Where it came from no one could tell. "Gold and silver," said Paine, in his "Crisis," "that for a while seemed to have retreated again into the bowels of the earth, have once more arisen again into circulation, and every day adds new strength to trade, commerce, and agriculture." The disturbing cause removed, society at once resumed its normal condition of health and prosperity. There was no longer any complaint of the want of a circulating medium, though this, at the time, consisted wholly of foreign coins.

Its effect in sweeping away the accumulations of the past was by no means the greatest evil resulting from a currency of government notes.

"That the helpless part of the community," said Ramsay, the historian of, and prominent actor in, the War of the Revolution, "were legislatively deprived of their property was among the lesser evils which resulted from the legal tender of depreciated bills of credit; the iniquity of the laws estranged the minds of many of the citizens from the habits and love of justice. The nature of obligations was so far changed that he was reckoned the honest man who, from principle, delayed to pay his debts. The mounds which government had erected to secure the observance of honesty in the commercial intercourse of man with man were broken down. *Truth, honor and justice were swept away* by the overflowing deluge of legal iniquity." *

The following is from a contemporary writer, Pelatiah Webster, a most competent witness and observer of the times:

"It" (government money) "has polluted the equity of our laws; turned them into engines of oppression and wrong; corrupted the justice of our public administrations; destroyed the futures of thousands who had the most confidence in it; enervated the trade, husbandry and manufactures of the country; and went far to destroy the morality of our people. * * * We have suffered more from this cause than from any other cause or calamity. It has killed more men; perverted and corrupted the choicest interests of our country more, and done more injustice than even the arms and artifice of the enemy."

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* "History of the Revolution," vol. ii., page 134.

After the fall of the Continental money, nothing more was heard of it till Mr. Hamilton entered upon his work of adjusting the debts of the old government to be acknowledged by the new. While the interest-bearing debt of the old was assumed, with interest at its full amount, the notes, which equaled more than three times that of such debt, were "cut off with a shilling." They were allowed to be funded at the rate of 100 for 1. This provision was made in their favor only to show that they were not quite forgotten. Not a voice was heard in favor of any more generous provision. No attempt was made to raise them from the sepulchre in which they had been so long entombed. They were chiefly (as will always be the case when the calamity comes) held by the poor, especially by the rank and file of the army, who carried them home only as mementos of the years of toil, hardship, and danger. By way of adding a grotesqueness to the strange picture, many of them paid away a year's earnings for a single breakfast, or for a bottle of wine to drink a farewell parting with old comrades in arms.

THE LEGAL-TENDER CURRENCY OF FRANCE.

The third great example of government paper money is that afforded by France. When the Revolution of 1789 broke out, the nation was not only greatly exhausted from past excesses, but appeared,

in the confusion which prevailed, incapable of providing the means of defense, threatened as she was with attacks from all the great powers of Europe. One of the resources naturally suggesting itself was an issue of government money. This suggestion was re-enforced by the fact that the estates of the Church, valued at 4,000,000,000 francs, yielding an income of 200,000,000 francs, had been confiscated to the State, and would serve, it was assumed, as an adequate basis for such currency, the holders of which were to have the right to exchange it for lands at a fixed valuation. The assignment of the lands as security for the notes gave them the name by which they have always been distinguished—*Assignats.*

The proposition, of course, met with vigorous opposition from prudent and sensible men, at the head of whom stood the celebrated Necker. The disastrous effects of the paper money of John Law,* which so convulsed the kingdom, and finally reduced it to a condition of bankruptcy and ruin, were still remembered by the aged. Its results were familiar to all. An example so striking would seem to be conclusive. The argument drawn from it was easily evaded. "Paper money under a despotism," said one of the advocates of the new money

* An account of Law's paper money is not given, for want of space. The whole amount issued equaled about 3,000,000,000 francs. As is well known, it was, after it had wrought unspeakable mischief, wholly repudiated.

in the National Assembly, "is indeed dangerous: it favors corruption; but in a nation constitutionally governed, and which itself takes care of the emission of its notes, which determines their number and use, that danger no longer exists." Another member declared that the Assignats would render gold and silver more abundant, by drawing them out of the coffers where they were then hoarded. In vain were the necessary consequences of such a currency painted in all their length and breadth; in vain were the effects of Law's currency portrayed in the most emphatic language. The friends of the proposed measure easily carried the day, and in April, 1790, an issue of 400,000,000 francs was authorized. They were to be secured by a pledge of productive real estate, and to bear a rate of interest equaling three per cent. Never did a currency of the kind seem to rest upon a stronger basis, while the provision of interest, it was hoped, would prevent their conversion and maintain them in circulation. The result was hailed as a vast triumph by the party of Revolution—by the party of progress. The Assembly, in an address issued to the French people, declared that the nation, "by this grand means had been delivered from all uncertainty, and from all the ruinous results of the credit system—incessantly a prey to the caprices of cupidity; that the issue would bring back into the public treasury, and into all branches of industry, strength, abundance, and prosperity." * * * "Paper

money," continued the report, "is without inherent value, unless it represents some special property. Without representing some special property, it is inadmissible in trade to compete with a metallic currency, which has a value real and independent of the public action; therefore it is that the paper money, which has only the public authority as its basis, has always caused ruin where it has been established; that is the reason why the bank notes of 1720, issued by John Law, after having caused terrible evils, have only left frightful memories. Therefore it is that the National Assembly has not wished to expose you to this danger, but has given this new paper money, not only a value derived from the national authority, but a value *real, immutable;* a value which permits it to sustain advantageously a competition with the precious metals themselves. * * * These Assignats, bearing interest as they do, will soon be considered better than the coin now hoarded, and will again bring it out into circulation."

The first effects of the issue seemed to justify all the considerations urged in its favor, and to confound all who opposed it. The public treasury was relieved. An amount of gold and silver coin equal to that of the notes was discharged from use as money, and became merchandise for export. The wealth of the nation seemed to be increased in like ratio. By the end of August, however, no

little dismay was produced by the fact that the first issue had been wholly exhausted, leaving the government as destitute as ever. The old remedy again suggested itself with still greater force—it was so facile, and at the same time, so effectual. Its opponents, seeing the tendency and the inevitable results that were to follow unless it could be checked, made a far bolder stand than against the first issue. It was for a time by no means certain to which side the Assembly would incline. A committee to whom the subject was referred did not, in terms, recommend a further issue, but declared that the first issue had been successful; that the notes were the most economical means to be resorted to; and that the country was in great peril, and "was still to be saved"!

The bill for the second issue being introduced, Mirabeau, the great figure, not only in the Assembly, but in France, threw all the force of his influence and character in favor of this measure, although in a letter written early in 1789 he had spoken of paper money as "a nursery of tyranny, corruption, and delusion; a veritable debauch of authority in delirium." He may still have entertained the same sentiments, at the same time yielding to what he deemed a state necessity. The first issue, he declared, had worked well; it was a kind of money entirely different from that of Law; no harm could result from its issue; the French had now become so enlightened that "de-

ceptive subtleties can no longer deceive patriots and men of sense in this matter. We must go on," he continued, "to accomplish what we have begun. The paper is guaranteed by the national lands, and by the good faith of the French nation. So soon as it becomes too abundant it will be absorbed in rapid purchases of the lands." He predicted that the members of the Assembly would be surprised at the astonishing success of the money, and that there never would be a superabundance of it. Another speaker, Gouy, proposed to liquidate the whole national debt "by an issue of 2,400,000,000 of money by one single operation—grand, simple, and magnificent!" He advocated a *plébiscite*—an appeal to the people—"who," he said, "ought alone to give law in a matter so interesting."

To all such arguments, or rhapsodies rather, the opponents could only reply by predicting—by demonstrating the inevitable result—a decline in the value of the notes, their constant increase as new necessities arose, and their final collapse, which was to involve all interests and all classes in a common ruin, and of which Law's money afforded such a striking example. In vain did Necker oppose his great presence, his great wisdom, his great experience and his great character, only to be defeated, and in the end to be driven from his country. Talleyrand, who, next to Necker, exerted

the most powerful influence against the measure, stated the whole question in a single sentence: "You can, indeed, arrange it so that the people shall be forced to take a thousand francs in paper for a thousand francs in specie; *but you can never arrange it so that a man shall be obliged to give a thousand francs in specie for a thousand francs in paper*. In that fact is imbedded the entire question; and on account of that fact the whole system fails."

The question of the new money engrossed not only the Assembly, but the nation. The mercantile classes almost unanimously opposed the issue. Of the memorials that came from thirty-two leading towns, twenty-five opposed, and only seven favored the issue of the notes. The Assembly itself was nearly equally divided. The uncertainty and importance of the issue stimulated Mirabeau to the highest pitch of eloquence. In his final speech he asserted the value of the notes, declared that each would represent a specific appropriation of land. "I would rather," he exclaimed, "have a mortgage of a garden than of a kingdom. If gold," he continued, "has been hoarded through timidity or malignity, the issue of paper will show that gold is not necessary, and it will come forth." In vain was it replied that precisely the same arguments were used and paved the way to the issue of John Law's money; that

that was to be limited in amount, and always to be completely secured; that the apparent advantages of the first issue were, in the same way, urged as the reason for the second; and that, upon such reasons, issue followed issue, till France was involved in bankruptcy and ruin. In vain was one of Law's notes, saved from the wreck of time, held up before the Assembly as a memento of the past, and as a warning for the future. It was replied that "Law's money was based upon the phantoms of the Mississippi, while ours rests upon the solid basis of ecclesiastical lands." The newspapers of the day powerfully re-enforced the prevailing sentiment by declaring land to be a far superior basis for an issue of paper than gold. Such sophistries as these, supported by the efforts of government, through its officials, prevailed, and the measure passed by a small majority—the ayes being 508, and the nays 423. It authorized the issue of 800,000,000 of notes; but provided, in the most emphatic terms, *that in no case should the whole amount put into circulation exceed that and the previous issue*, i. e., 1,200,000,000 of francs. It also provided, in order to maintain a healthy contraction, that all the notes received for lands should be immediately burned.

So much for the humble beginnings of the deluge which was to sweep, with resistless force, over the land, carrying, at last, everything in its train. In

such measures one argument stands for all—an apparent necessity which those in power have not the courage to face. The most solemn assertions that the issue shall never exceed a certain amount; shall be so moderate that the notes can never work harm; that their payment is secured beyond contingency are the seductive influences which lead to the first fatal step. This taken, all beyond follows as an inevitable necessity. While the tide is swelling, nothing but congratulations are heard on every hand. Of such examples we copy the following from a pamphlet signed "A Friend of the Revolution," published in Paris just after the passage of the bill authorizing the second issue:

"Citizens, the deed is done. The assignats are the keystone of the arch. It has just been happily put in position. Now I can announce to you that the Revolution is finished, and there only remain one or two important questions. All the rest is but a matter of detail which cannot deprive us any longer of the pleasure of admiring, in its entirety, the important work. The provinces and the commercial cities which were at first alarmed at the proposal to issue so much paper money, now send expressions of their thanks; specie is coming out to be joined with paper money. Foreigners come to us from all parts of Europe to seek their happiness under laws which they admire; and soon France, enriched by her new property, and by the national industry which is preparing for fruitfulness, will demand still another creation of paper money."

The nation, now fairly committed to the new money, neglected all other methods for providing

for expenses rendered necessary by dangers which threatened on every hand. The second issue was not only soon exhausted, but prices rose in ratio to its amount, leaving the great mass more necessitous than ever, and more clamorous than ever for more money. As the effect of such money was to exhaust, in a like degree, instead of adding to, the wealth of the nation, there seemed to be no resource left but a continued issue of it. For a moment some relief was gained by reissuing, instead of burning, as required by law, the notes received for lands. The first 150,000,000 so received were immediately paid out; but these were a drop in the bucket compared with the amount now required. The cry of a "lack of circulating medium" grew fiercer and fiercer, and was met, from the sheer necessity of the case, by an issue, on the 17th of June, 1791, of 600,000,000 of new notes, in spite of the solemn legal provision that not a franc over 1,200,000,000 should be issued. This issue met with little opposition, those who opposed the first and second being thoroughly disheartened, in exile, or dead. There was now but one voice—that of universal approbation and acclaim. By this time the Jacobin clubs, which were fast becoming the real power in France, added their potent voice to the general demand. From such there was no appeal. The effect upon the public, so far, had been that of a highly stimulating potion to a powerful frame. France was in an ecstasy of activity and

joy. A few clouds, however, soon appeared in the horizon. The price of the notes steadily fell. The decline was attributed to various causes; one to a want of knowledge, on the part of the people, of their real worth. To meet the decline, an address was voted by the Assembly, setting forth the goodness of the currency, and the absurdity of preferring coin. Another cloud was the almost entire disappearance of specie. Various were the theories offered in explanation. The leading newspaper at the time undoubtedly expressed the public sentiment when it declared that "coin will keep rising until the people have hung a broker." English emissaries, it was alleged, were instilling notions hostile to paper, and more than one innocent person fell a victim to the popular wrath, under the assumption of being engaged in raising gold and depressing paper. It was a crime to be found in the possession of coin; death was suggested as a proper penalty for those hoarding it.

It was not long before the delirium began to tell upon the nation. The price of the money steadily declined, and that of all kinds of merchandise as steadily rose. The markets were glutted with goods which no one could afford to buy. Immense importations were made from abroad which could be paid for only in coin. The effect of the first issues had been to create an extraordinary activity. Manufacturers were stimulated to an enormous excess of production. When the tide turned, this

class was the first to give way. No one could tell whether that which he produced would bring fifty or a hundred francs; or whether it would have any market value whatever. With the breaking down of the manufacturers, immense numbers of workmen were thrown out of employment. These soon became an organized mob, waging relentless war against all order and property. All the operations of society were reduced to mere games of hazard. "Commerce," to use the language of one of the leading economists of France, "was dead. Betting took its place." "What shall I say?" said another writer, "of the stock-jobbing, as frightful as it is scandalous, which goes on in Paris under the very eyes of our legislators; a most terrible evil, and yet, under the present circumstances, a necessary evil?" The great mass of the gamblers were speedily reduced to poverty, and became the leaders of the populace, now reduced to the last extremity of want and despair. The spirit of speculation spread from Paris into all the departments, and everywhere produced like results. "What a prospect," said von Sybel, the great historian of that period, "for a country, when its rural population was changed into a great band of gamblers!" As the value of the currency was always fluctuating, each party to an exchange was always on the alert to save himself from loss by attempting to overreach the other. In this way almost every act became an incentive to, or was tainted with, fraud.

Public and private morality were alike overthrown: Mirabeau himself was only a stipendiary of the Court. Numerous others, only a little less distinguished, were in the market, to be bribed equally by the Court or those who basked in its favors. Society itself seemed hardly capable of continued existence. All public spirit was at an end. All in debt now wished to see the decline in the value of the government money, as their burdens would be reduced in like ratio. During the periods of inflation everybody ran into debt, hoping to make money by the rise in what was purchased. Immense amounts of the forfeited Church lands were purchased, small payments only having been made at the time. The purchasers were in danger of losing all they paid. It became, in fact, the interest of almost all persons of influence to depreciate and discredit the government in every way possible. Every one who sought to sustain it, protect its rights, or to maintain order, was an enemy of the people. Great numbers speedily paid the highest penalty for such crimes. Speculators, members of the Jacobin clubs and leaders of the mob became prominent members of the Assembly, and soon secured almost absolute control of that body. In the meantime the cry for more money arose louder and louder. In December, 1791, 300,000,000 more of francs were authorized, making the total issue 2,100,000,000. As might be expected, such a state of things gave rise to the most absurd theories, one of which has

lately been reproduced by a notorious character in the United States: that the currency of a country should be of a kind that would have no circulation out of it. In this way, all its commerce and trade would be wholly independent of that of other nations. It was openly proclaimed that the laws of political economy, however applicable to other times and to other nations, and however "suited to the minions of despotism, were not applicable to the enfranchised inhabitants of France at the close of the 18th century." In proof, on the 30th of April, 1792, came the fifth issue, amounting to 300,000,000. Other issues continued to follow in rapid succession, till the whole amount put out to the 14th of December, 1792, equaled 3,400,000,000, of which 2,800,000,000 remained in circulation. Early in 1793 came a new source of wealth to the nation—the confiscated estates, having an estimated value of 3,000,000,000, of the nobles and landed proprietors who had fled the country. As a necessary consequence, new issues of paper money based upon such lands were made; prices rose enormously, both from the abundance of the money and the unwillingness of holders of merchandise to receive it. The people, who had no longer any means of purchase, and who were on the verge of starvation, took the law into their own hands. Great mobs broke open and plundered the shops and warehouses with impunity. So little power remained to the government that it was glad to buy them off

by the payment of 7,000,000 of francs; a leader of the mob declaring that the plundered "merchants were giving back to the people what had hitherto been robbed of them." The necessities of the people speedily showed themselves in legislation. *Maximum* laws were passed, making sales of goods compulsory, and fixing their price in paper.

"This," as von Sybel declares, "was the most comprehensive attack on the rights of property, as far as our historical knowledge reaches, which was ever made in Western Europe—an attack made in the heart of a great and civilized nation, and one which was not confined to the brains of a few idle dreamers, but practically carried out in all its terrible consequences. It was made with fiery fanaticism and unbridled passion, and yet with systematic calculation. Its originators—victorious at home and abroad—were perfectly free in their deliberations, and did not adopt their measures under the pressure of necessity or despair, but from deliberate choice. These are facts of universal significance, on which we ought to fix our attention all the more earnestly because they have been disregarded, although they are fraught with the most important consequences."

The result of these maximum laws was, that none who could help it would sell. The necessities of life could no longer be obtained; the people in the large cities had to be put upon allowance. Tickets were issued entitling the bearer to a limited amount of a few articles necessary to existence. The period of the real distribution of property had come, paper money having served as the instrument for confiscating the property of the

kingdom by the extravagance, idleness and vice it produced, and by rendering impossible any well-directed, successful industry.

The chaos and ruin which prevailed on every hand could not stifle family affection. Parents sought to make provision for their children, in something more valuable and permanent than government notes. To defeat impulses so natural a law was passed which forbade the purchase or exchange of specie at a rate higher than its nominal value in paper, the penalty for the offense being six months' imprisonment in irons. In the meantime the cry for more money grew fiercer than ever. To meet it an issue was made, in May, 1793, equaling 1,200,000,000 francs. Immediately following this issue a law was passed imposing a forced loan upon the rich of 1,000,000,000 francs. As the notes rapidly sank in value under issues which now equaled 4,600,000,000 francs (a small portion of which only had been taken in), Cambon, a leading member of the Assembly, devised a funding scheme, almost precisely similar to that which has been so often proposed in the United States—that of *interconvertibility*. The holders of notes were to convert them into five per cent. government bonds; to have the notes, if they required it, reissued to them. This scheme, as might have been expected, proved utterly futile. To check the fall of the notes 1,000,000,000 were attempted to be called in by

means of a forced loan. The first effect of such a reduction was to sustain for a moment the value of the notes; but the effect was soon lost. In the crisis the market-women of Paris made an earnest appeal to the Assembly "to pass laws to make paper as good as gold." In obedience to their request, and a pressure from other quarters, Couthon, one of the most famous characters of the Revolution, proposed and carried a law which provided that "any person who should sell an assignat at less than its nominal value should be punished by imprisonment in chains for twenty years." This was followed by a law making investments by Frenchmen in foreign countries punishable with death. As the proper crown of all these measures, a law was passed, on the 15th of August, 1793, virtually repudiating the interest-bearing debt of the nation by making it payable in the government notes.

In vain were all these efforts to defeat the operation of laws as inexorable as those which regulate the procession of the seasons. The nation was already in the throes of death from the most corrosive of poisons—a currency wholly divested of its proper constituent, capital. The very arm which must daily be stretched forth to sustain life was palsied. When a person in France, to-day, offers a bank-note in the purchase of a bale of cotton goods, he offers in payment that which perhaps represents

a hogshead of sugar or a case of silk. The whole operation really consists in a mutual exchange of articles for consumption. Some one of these stands behind every note, and can always be reached by direct exchange. If it cannot be so reached, then the issuer stands ready to take in the note by paying gold. In 1793, when a person offered a government note in exchange for a bale of cotton goods, he offered that which represented no corresponding equivalent. No consumable article stood behind it. The consequence was that the transactions which took place had no relation to things in actual existence. Every one was conscious of this, and sought to escape the effect by overreaching his fellow. All the springs of society were tainted at the very source. No healthy process of any kind could develop itself in order to produce sound and useful results; and as none had the courage to attack the cause, all were driven to invent excuses or apologies for the result, as absurd and monstrous as the evil itself. The currency destroyed at the same moment alike the material, moral, and intellectual welfare of the nation.

Up to the close of August, 1793, the whole amount of notes that had been issued had equaled 4,616,000,000 francs, of which 3,776,000,000 were in circulation, a little over 800,000,000 having been taken in. At the close of June, 1794, the amount in circulation rose to 6,536,000,000 francs. As the

notes continued to decline in value, issue necessarily followed issue in rapid succession, and in increased amounts to make up for the decline, till the beginning of 1796, when the amount reached 45,000,000,000, of which 36,000,000,000 ($7,200,000,000) remained in circulation! Their price had now fallen so low that it would no longer pay the cost of printing. A point was at last reached, at which all the penalties imposed—excessive fines and forfeitures; twenty years' imprisonment in chains; and even the guillotine itself—ceased to exert any influence whatever. The history of the notes for the two years, from June, 1794, till their fall, is summarized in what has preceded, although their effects, from the enormous amounts issued, far transcended in intensity those of any former period. As government had no other resource, and as it was felt that the life of the nation as a power in Europe was dependent upon the maintenance of its notes, it had to be present in almost every act of society. The contest was one between unbridled despotism, enacting laws wholly repugnant to reason and nature, with penalties cruel in the extreme, and enforced with remorseless celerity, on the one side; and, on the other, a people supported by the strongest instincts and passions of the race—a love of freedom and a determination to retain and appropriate in their own way that which they possessed. It was a contest in which both parties were to meet with overwhelming defeat and dis-

aster; for the government could enforce the circulation of its notes only at their estimated value, while the public could not avoid their use.

Historians, in attempting to account for the excesses and atrocities of the French Revolution, have strangely overlooked the influence of its currency. When the vast amounts issued are considered, its necessary effect, in overturning every useful industry, and in stimulating every species of expenditure and extravagance, was quite enough to produce all the terrible results that followed, without the influence of any of the causes that have usually been assigned. It was a contest which not only arrayed the people against the government, but turned the hand of every man against his neighbor. Society was a ship that was wrecked; the crew and passengers perishing alike in the desperate struggle to reach and appropriate some of the fragments that were floating in the wild waste of waters. In such a struggle a few only of the strongest were saved. The moneyed classes, foreseeing the inevitable result, had methodically invested all the notes received by them in permanent forms of property, so that, when the final collapse came, the greater part of the capital of the nation was in their hands, the worthless notes being almost wholly in those of the poor.

"Before the end of the year 1795," says von Sybel, "the paper money was almost exclusively in the hands of the working classes, employés, and men of small means, whose

property was not large enough to invest in stores of goods or national lands. The financiers and men of large means, though they suffered terribly, were shrewd enough to put much of their property into objects of permanent value. The working classes had no such foresight, or skill, or means. On them finally came the great, crushing weight of the loss. After the first collapse came up the cries of the starving. Roads and bridges were neglected; manufactures were generally given up in utter helplessness. * * * None felt any confidence in the future in any respect; none dared to make any investment for any length of time, and it was accounted a folly to curtail the pleasures of the moment to accumulate or save for an uncertain future."

In 1795 a new revolution was inaugurated, which was in the end to produce results almost as striking as those of that of 1789. The change of policy, however, was not immediate; a forced loan was again attempted, but the project failed, in consequence of which notes were again resorted to. Government at last vigorously addressed itself to the great subject in hand. It decreed that no more Assignats should be issued, but in their stead *Mandats*, "fully secured, and as good as gold." To accomplish such a result, choice public real estate was set apart, fully equal in value, it was alleged, to that of the new notes, and which could be at once taken possession of by their holder at a value determined by the actual rental. In order to make the Mandats "as good as gold," the Assignats in circulation were to be retired by a forced loan and other contrivances, so that each should be raised

to one-thirtieth of the value of gold. That being accomplished, Mandats were to take the place of Assignats. The change was precisely that attempted in the Revolutionary currency of this country, and already described. It turned out, however, that the Mandats at once fell 30 per cent. below their nominal value. They continued to decline till their price in coin equaled only 5 per cent. of their nominal value. In spite of such results, which were but the expression of natural laws, the hope and ingenuity of the people was by no means exhausted. The press and innumerable pamphleteers came manfully to the rescue. The vast superiority of Mandats to Assignats was asserted. The security for their payment was far better, and could be far more easily reached. No possible reason existed why they should fall in value as the Assignats had done. The refutation came, in the fall of the new notes, before the pamphlets had fairly issued from the press. To re-enforce their arguments it was provided by law, that any one who should orally, or in writing, depreciate the new notes, should for the first offense pay a fine of not less than 1,000 francs, and for the second should be imprisoned in irons four years. It was also provided that any one refusing the Mandats, should for the first offense, pay an equal sum; for the second, ten times as much; and for the third, should be imprisoned two years. Every act of the kind, instead of sustaining the price, only served to pre-

cipitate their fall. The great tragedy was now approaching an end. On the 16th of July, 1796, a decree was passed, repealing all laws by which the circulation of the notes was sought to be enforced. Henceforth they were to be dealt in only at their real or estimated value. Of the Mandats, 2,500,000,000 were put in circulation; of the Assignats, 36,000,000,000 remained in circulation. The repeal of the laws enforcing the circulation of the notes was but another word for the repudiation of the whole, as effectually as was the money of the Confederate States repudiated upon the collapse of the Rebellion. The race, at the South, still existed; but nearly all its accumulation, and its commercial and industrial institutions, were swept away. So with France. The great cause of the infinite ruin and demoralization which had been suffered being removed, society, destitute, but not wholly disheartened, set resolutely to work to repair the errors, follies, and waste of the past. No sooner had the system of paper money fallen than specie began to reappear, as it did upon the fall of the Revolutionary currency of the United States; at first in small amounts, but gradually in sums sufficient to meet all the wants of commerce and trade. The lesson has never been forgotten, and will never be forgotten, in France. From the time of the fall of the paper money issued in her great revolution, that nation has displayed a prudence, wisdom, and capacity in her monetary affairs, that has rendered

her a wonder among the nations. If she has committed any error, it is in too great accumulations of specie, in order to render impossible the repetition of her great disaster.*

SECOND ISSUE OF LEGAL-TENDER CURRENCY OF THE UNITED STATES.

Such, as they appear in history, are the nature and effects of currencies of government notes, whether issued by the coarse despotisms of Asia, by the most refined and prudent nation of Europe, or, in its struggle for Independence, by the "Model Republic, the light and hope of the nations." We now have to add a second example of our own. In both instances, as well as in France, the same necessity was pleaded and deplored—"revolution"—the terrible examples of the past being full in view. The Secretary of the Treasury at the time, Mr. Chase, could by no means recommend a measure so fraught with danger and disaster.

"The temptation," he said in his annual report for 1861, "especially great in times of pressure and danger, to issue notes without adequate provision for redemption ; the ever-present liability of being called upon for redemption beyond means,

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* The writer wishes to acknowledge the great assistance, in the preparation of the article upon the French Legal-Tender Currency, derived from the very valuable paper, entitled "Paper-Money Inflation in France," by the Hon. A. D. White, President of Cornell University.

however carefully provided and managed; the hazard of panics precipitating demands for coin, concentrated on a few points and a single fund; the risk of a depreciated, depreciating, and finally worthless paper money; the immeasurable evils of a dishonored public faith and national bankruptcy—all these are the possible consequences of a system of government circulation. * * * In the judgment of the Secretary these possible disasters so far outweigh the probable benefits of the plan, that he feels himself constrained to forbear recommending its adoption."

Mr. Sherman, the present Secretary of the Treasury, equally deplored the cruel necessity upon the nation. The currency to be used, was, however, to be merely a temporary expedient, easily managed and soon to give way to a juster and more adequate system of raising money.

"I know very well," he said in the speech already referred to, in support of the issue, "that if you continue *this issue of demand notes by others, you will depreciate and break down the whole system.* I do not believe the issue of $150,000,000 will do any harm. But if you continue to issue *other* sums you will at once depreciate the credit of these demand notes and destroy their value.

"After all, Mr. President, *this is a* MERE TEMPORARY EXPEDIENT. *It is manifest that we must rely upon some other source of obtaining money. We dare not repeat this experiment a second time. If we do, we enter upon the same course that was followed in the French Revolution, and also by our American ancestors.* * * * Do you tell me that this will create an inflation of prices? I do not think so. If you should follow this issue by another, you might create a disturbance in your financial operations; but I think this will not."

Mr. Sherman's argument, from which we have room only for the preceding extracts, summarized all that were made in favor of the measure. The necessity was overpowering; the amount was to be very small, and never to exceed a certain limit; the measure was a mere temporary expedient, which, considering the limited sum to be issued, could work no serious harm; the vast wealth of the country would enable it, on the collapse of the rebellion, easily to retire the notes—arguments a thousand times repeated on similar occasions, and always effectual with weak and irresolute natures in the face of a great emergency. In vain were opposed considerations drawn alike from reason and the examples of the past; an issue of $150,000,000 of notes was voted, but only by a small majority in either House. The first fatal step taken, the next followed by irresistible necessity. Within a few months $150,000,000 more were called for. Issue followed issue, till the whole amount, including interest-bearing legal-tender notes, reached nearly $800,000,000!

We do not propose to enter at length upon the question of the expediency of the issue of the government notes, although we believe it to be demonstrable that the resort to them was not only wholly unnecessary, but that they were throughout the most formidable obstacle encountered in the prosecution of the war. The disastrous consequences of

their issue we are still laboring in vain to overcome. The intense spirit of patriotism which was aroused, the alacrity with which the moneyed classes and the banks came to the support of the government, and the great and constantly increasing strength of the banks fully proved that every man and every dollar of capital of the country that could be spared could have been readily reached by the currency then in existence, and of the value of coin; so that when the nation came triumphantly out of the struggle it could have immediately entered upon a career of unwonted prosperity, its monetary system being in a sound and healthy condition, with the great disturbing element of the past, slavery, wholly removed. To enable the government to avail itself of the capital of the country precisely as the people had availed themselves of it, the law creating the Independent Treasury was so modified as to allow the use, in the place of coin, of the notes and credits of the banks. Their capital was a mere fraction of that of the whole country, or compared with that which the emergency demanded. They should have been upheld for a double purpose—to enable them to serve more effectually as the agents and brokers of the government in the negotiation of its loans, and to sustain, in a sound and healthy condition, the industries of the country. Not a dollar of their capital should have been touched that could not have been immediately replaced. Instead of pur-

suing the policy of sustaining them—a policy the wisdom of which was so obvious, and which would have enabled the government to reach, at the par of coin, every dollar of the capital of the country exactly in the form required—food, clothing, munitions, transportation, etc., etc.—the $150,000,000 loan negotiated with the banks at the outbreak of the war was transferred from them to the treasury, to be paid out in kind. If, instead of drawing the coin, the government had made its payments by requisitions—by checks upon the banks of the three great cities which made the loan, allowing the holders of such checks to draw them in the form that best suited their convenience, not one dollar in fifty would have been drawn in coin. The checks would have been the instruments for reaching a corresponding amount of merchandise, or service, and would have been discharged by mutual offset at the Clearing Houses precisely as those drawn in the ordinary course of trade are discharged. In such cases no more gold would have been drawn in the operations of the government than is drawn in those of merchants corresponding in amount. No sooner did hostilities break out than the flow of specie, for the first time since the discovery of gold in California, turned, in great volume, toward this country. This inward flow, but for the government notes, would have continued from the economies that would have been practised by the people through the

whole period of the war, increasing in like ratio the reserves of the banks, and increasing in an equal degree their power to sustain both government and people. Instead of using the banks, as the public use them, for the purpose of reaching that which their bills represent, the government attacked them in their most vital point—their reserves. These drawn, they necessarily suspended. Their reserves when drawn were paid out in the purchase of that which their bills represented, and which could have been reached by their notes without the use of a dollar of coin. Never was there a public measure of this country so fatal in its consequences and at the same time so wholly unnecessary. The natural and obvious would have been the far more convenient method, even for the utilization of the $150,000,000, than that resorted to. But sinister councils prevailed. The banks being driven into suspension by the act of the government, no alternative, it was alleged, was left it, but to issue its own notes, which, having no proper constituent, fell speedily and enormously in price, increasing the present and future burdens of the government and the people in like ratio. They not only instantly turned the golden tide away from the country, but presently sent out of it all the accumulations of the past, as well as the products of our mines, then the wonder of the world. The notes more than doubled the cost of the war, and from their demoralizing effect greatly prolonged it. But this was by no means all. The

banks, released from the only competent check upon their issues—the obligation to pay specie—immediately increased them in ratio to those of the government. A wild carnival of extravagance and expenditure followed, only rivaled by that produced by the Revolutionary currency of this country or by the Assignats of France. For sixteen years has the poison been at work upon the frame of a great nation, which would have succumbed long ago had it not been in the vigor of its prime and possessed of enormous strength. If it still survives, it is stricken with a palsy, fatal alike to all life and hope; while the restoration of its monetary system yet remains a problem far more difficult of solution than was the suppression of the mighty rebellion.

Upon the return of peace, the traditions, at least, of the past, survived. No one for a moment entertained the thought that the greenbacks were to become the permanent currency of the country. The nation manfully, without a moment's delay, addressed itself to the work before it. The reduction which immediately followed was, fortunately, in great part of the currency. Had the same spirit continued, the nation would have been long ago rid of an evil which, after working incalculable mischief, seems now to defy all effort to remove. The following statement will show the amount of the public debt as it stood on the first of September, 1865, when it had reached its maximum:

Funded debt	$1,109,568,000
Matured "	1,503,000
Temporary loan	107,149,000
Certificates of indebtedness	85,093,000
Five per cent. legal-tender notes	33,954,000
Compound interest legal-tender notes	217,024,000
U. S. 7.30 notes	830,000,000
U. S. legal-tender notes	433,161,000
Fractional currency	26,345,000
Suspended requisitions	2,111,000
Total	$2,845,908,000

The amount of the public debt of the United States for each year, from 1861 to 1865 inclusive, is shown in the following statement:

Years ending	Amounts.
June 30, 1861	$90,580,874
" 1862	524,176,412
" 1863	1,119,772,139
" 1864	1,815,784,371
" 1865	2,680,647,870
August 31, 1865	2,845,908,000

In his Annual Report, December, 1865, Mr. McCulloch, then Secretary of the Treasury, set forth with great earnestness and convincing force, the vast evils that had already resulted from the use of a currency of government notes. They had, he urged, fulfilled their object, the suppression of the rebellion; they were only resorted to as a temporary expedient; their constitutionality was only justified by a supreme necessity which no longer existed. To maintain them in circulation without

provision for their payment, was, he declared, an act of virtual repudiation, which, if persisted in, would eventually be turned against the integrity of the national debt itself. The House responded with alacrity to his appeal, and on the 18th of December, 1865, resolved that:

"This House cordially concurs in the views of the Secretary of the Treasury, in relation to the necessity of contracting the circulation with a view to an early resumption of specie payments ; and we hereby pledge co-operative action to this end as speedily as practicable."

The preceding resolution passed by a vote of 144 in favor, to 6 opposed. In pursuance of its pledge, Congress, on the 12th of April, 1866, passed an act providing for the retirement of $10,000,000 of United States notes, within a period of six months; and for their retirement, at the expiration of such period, at a rate not exceeding $4,000,000 each month; the amount of notes then outstanding equaling $422,000,000. In obedience to this act, the Secretary immediately entered upon and continued the retirement of the notes, till their amount was reduced to $356,000,000. Their further retirement was then suspended by an act passed on the 4th day of February, 1868, of which the following is a copy:

"That from and after the passage of this act, the authority of the Secretary of the Treasury to make any reduction of the currency by retiring or canceling United States notes, shall be, and is hereby *suspended;* but nothing herein con-

tained shall prevent the cancellation and destruction of mutilated United States notes, and the replacing of the same with notes of the same character and amount."

The act of 1868 did not, as will be seen, repeal, but only suspended, the act of 1866. The retirement of the notes, it was urged by the mercantile and manufacturing classes, was producing a stringency in the money market, and should be suspended. The peculiar phraseology used was intentional. When the nation proceeded again with the retirement of its notes, it would not, it was said, have to enact a new bill, only repeal the one just passed. The principal object of the act, however, was to take away from the discretion of the Secretary, and vest in Congress itself, the direction of a matter of such transcendent importance as the regulation of the currency. There was not a suggestion at the time of the abandonment of a policy so definitely entered upon, or of the establishment of irredeemable government notes as the permanent currency of the country. That there was no such purpose in view is fully shown by the act of March 18th, 1869, usually termed "the Act for the Maintenance of the Public Credit," of which the following is a copy:

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that in order to remove any doubt as to the purpose of the government to discharge all just obligations to the public creditors, and to settle conflicting questions and interpreta-

tions of the laws, by virtue of which such obligations have been contracted, it is hereby provided and declared, that the faith of the United States is solemnly pledged to the payment in coin, or its equivalent, of all the obligations of the United States, not bearing interest, KNOWN AS UNITED STATES NOTES; and all the interest-bearing obligations of the United States, except in cases where the law authorizing the issue of any such obligations, has expressly provided that the same may be paid in lawful money, or other currency than gold and silver. But none of said interest-bearing obligations not already due, shall be redeemed or paid before maturity, unless at such time United States notes shall be convertible into coin, at the option of the holder; or, unless at such time bonds of the United States bearing a lower rate of interest than the bonds to be redeemed can be sold at par in coin.

"And the United States also solemnly pledges its faith to make provision, at the earliest practicable period, for the redemption of the United States notes in coin."

This measure passed both Houses by large majorities; the vote in the House being 118 in favor, to 57 against. There was no pretense from any quarter that it was urged in favor of any class. As the bonds had been purchased by means of the notes, it was suggested, as was natural, that they should be paid in them. The reply was as obvious as it was conclusive. Payment in the notes would be simply an exchange of an interest-bearing for a non-interest-bearing obligation of the government. Payment in this mode would greatly reduce the present value of the security, and if the notes were to be a permanent currency, would be no payment at all; it would be repudiation. To make

the bonds payable in the notes would be to make the latter a permanent currency. Nothing was farther from the mind of Congress than such a proposition as this. The bonds, at the time, were the common property of the world; their payment and that of their interest must be made in the money of the world. Had it been announced, at the time the bonds were put upon the market, that they would be paid in non-interest-bearing notes, not a dollar of them could have been sold. Congress cannot now, it was urged, take a ground that it could not have taken when the bonds were sold and the proper consideration received therefor.

The great mistake of the act of 1869, was the pledge given that the notes themselves should be paid at their par value in coin. Congress proceeded upon the idea that these having a form similar to those of banks should like bank notes be discharged in coin at their nominal amount; forgetting that bank notes are always issued upon a consideration equaling, or assuming to equal, their nominal value in coin. Instead of such considerations, the government notes were a forced loan, depending for their circulation as money upon the legal-tender clause. When issued, their price in gold did not equal two-thirds of their nominal value. When government came to deal with the matter of their retirement, the only thing to be done was to make provision for funding them at

their value at the time, discharging them, after a certain day, of their legal-tender attribute. The proper mode of their retirement will be more fully considered in subsequent parts of this work.

In the panic of 1873 the Secretary of the Treasury, for the purpose of relieving a great pressure in the money market, reissued, in the purchase of bonds and for other purposes, about $26,000,000 of notes that had been taken in under Mr. McCulloch's administration, increasing the amount outstanding to $382,000,000. This act was believed to be without warrant in law, and received the severest condemnation. The reissue of the notes, however, greatly strengthened the party of inflation, in consequence of which an attempt was made to raise their amount to $400,000,000, the alleged reason for their issue being the retirement of the three per cent. certificates, which had been held by the banks as a part of their reserves, and which were about to be paid off, the notes to be issued to take their place. This bill for such purpose promptly received the veto of the President, who was sustained by large majorities in both Houses. The veto again turned the tide strongly in favor of the retirement of the notes, and on the 14th of January, 1875, Congress passed an act which, among other things, provided that

"On and after the 1st day of January, A.D. 1879, the Secretary of the Treasury shall redeem in coin the United States legal tender notes then outstanding, on their presenta-

tion for redemption at the office of the Assistant Treasurer of the United States, in the city of New York, in sums of not less than $50. And to enable the Secretary of the Treasury to prepare and provide for the redemption in this act authorized or required, he is authorized to use any surplus revenues from time to time in the treasury not otherwise appropriated, and to issue, sell, and dispose of, at not less than par in coin, either of the description of bonds (4, 4½, and 5 per cents.) of the United States described in the act of Congress, approved July 14, 1870, entitled 'An act to authorize the refunding of the National Debt,' with like qualities, privileges, and exemptions, to the extent necessary to carry this act into effect, and to use the proceeds thereof for the purposes aforesaid."

It is under the provisions of this act that the Secretary of the Treasury now proposes to resume.

The capital defect of the acts of 1866 and 1875 was the want of any adequate plan of resumption. In 1866, the business of the country was adjusted to a currency enormously inflated. On the first day of January, 1861, the notes and deposits of the banks, then upon a specie basis and in a sound condition, equaled $459,234,000, made up of $202,005,000 of notes and $257,239,000 of deposits. On the first day of January, 1866, five years after, and only a few months preceding the passage of the bill for the retirement of the government notes, the currency in circulation equaled $1,418,572,000, made up as follows:

Notes of the National and State Banks	$282,687,000
Deposits in the National Banks	563,885,000
Deposits in State Banks	150,000,000
Legal Tender notes	422,000,000
Total	$1,418,572,000

There were at the same time outstanding $159,-912,000 of compound-interest notes not included in the preceding statement. The increase of the currency of the country within the period named equaled $959,338,000, not including interest-bearing notes; the rate of increase exceeding two hundred per cent. At the same time, one-third of the country was almost wholly without a currency of any kind. When the act for the retirement of the government notes was passed, the amount of currency required for the operations of the country could not have greatly exceeded that in circulation in 1861. A return to specie payment at that time would have required the retirement of currency equaling at least $600,000,000. There could not have been so large an amount of capital in the country to be symbolized at the close as at the outbreak of the rebellion. When a contraction of the currency is inevitable, contraction of prices and of all industries and enterprises is equally inevitable. The act of 1866 consequently had the effect to put the country upon the rack for a period of at least nine years, during which there was to be a steady retrocession in everything like the apparent results of real prosperity. During that whole period the notes were still to be legal tender, at the same time decreasing in amount. So long as they remained legal tender, the banks, at least, would make no provision for resumption. A dead lock was inevitable, with no adequate provision for

a currency suited to the wants of production and trade. Standing alone on the statute book, no provision could have been more absurd, and it was swept away by the first adverse breeze.

The amount of paper money, per head of population, in the United States in 1860—a year of remarkable activity and prosperity—equaled fourteen dollars. In 1866, five years thereafter, it had increased to forty-one dollars per head, an amount nearly three times greater. By far the larger part of this increase was pure inflation. The consequences were the tremendous speculative movements which followed, and which resulted, among other things, in the construction, within a very few years, of over 40,000 miles of railroad, in which, within a period of ten years, $1,500,000,000 were unproductively expended. The depression which followed was but the natural reaction of the previous ill-directed and exhausting activity. The thing of all others which we have now in too great abundance is our paper money. Its holders dare not invest it in any productive enterprise, preferring to put it into government bonds, bearing the unprecedentedly low rate of interest of four per cent. It is this excess of paper money that is to-day eating up the means of the great mass of the people. It is not capital put to any productive use. It still exacts, as if it were capital, interest on its use. What wickedness, by increasing its amount,

to add still further to its power to exhaust and consume!

The act of 1875 was equally faulty with that of 1866 in not providing an adequate method for the retirement of the notes. The more alarming feature about it was its indication of the tremendous revolution that had taken place in public opinion in reference to their character. They were no longer to be retired as a currency radically vicious, and resorted to only as a temporary expedient, but were to be permanently maintained in circulation as the basis of all other currencies, supported by an amount of coin assumed to be sufficient to maintain them at par. The act of 1875, consequently, instead of being an act for the retirement of the notes, was only an act placing the country permanently on the basis of irredeemable government currency. All subsequent legislation has only confirmed the effect of this act. The act of 1866 contemplated the retirement, by payment, of the notes; that of 1875, their maintenance in circulation, but at the par of coin by an adequate provision of the latter.. The only problem now left for decision was the amount. In casting about them, the government officials saw that banks maintained specie payment by a provision in coin equaling, say, 33⅓ per cent. of their liabilities, and they fixed upon that as the ratio to be provided to maintain the government notes at the par of

coin, wholly overlooking the fact that it is not the coin which the banks hold that retires their liabilities, but their bills receivable; their coin being held to take in such as are not returned by their bills, and to meet contingencies or extraordinary calls to which they are liable. Their reserves are held for precisely the same object that the reserves of merchants are held. So long as the former conduct their business properly—that is, so long as they discount only such paper as represents real transactions in consumable merchandise, and which has a short time to run—no considerable portion of their reserves will be drawn; perhaps not one per cent. of the amount of their issues. As already remarked, it is no part of the object of a bank to lend coin—this can be loaned as well without as with a bank; but to symbolize merchandise in the hands of the public. In its operations the value of the thing symbolized must always equal that of the symbol, or the bank makes a corresponding loss; or is to an equal extent a disturbing element or force in production and trade. If government would, like banks, issue a convertible currency, the thing it symbolizes must equal the symbol in value. As it does not attempt to symbolize merchandise in the hands of the public, only coin in its own possession, the amount of the coin must equal its currency, in order to maintain the latter at par. In other words, government, if it would turn banker and issue a convertible currency, must

provide the proper constituent, lodged either in the hands of the public, or in its own vaults.

The present legal-tender currency being held to be well issued, the only question dividing the country is the amount; the conservative wing insisting that the present amount is the proper limit, with partial provision for its conversion into coin, to maintain it at par; the radical wing insisting upon an unlimited issue, or an issue at least equaling the amount of the national debt, with no provision for conversion into coin. No one has a better right to speak for the conservative wing than the Hon. Mr. Morrill, Senator from Vermont, Chairman of the Committee on Finance in the Senate, and for many years Chairman of the Committee of Ways and Means of the House. In a speech delivered in his place on the 21st of May, 1878, he said:

"The contraction of paper money hitherto has been almost wholly imaginary, and will surely have lost its terrors when contraction, real or fanciful, wholly disappears in *expansion*, especially when it shall be seen that all the dykes are broken down, and both gold and silver, long pent up, find an unrestricted outlet to fertilize every part of our country. * * * Let us hail the resumption now imminent as an event, however brought about, that may quicken the pulse of the nation and start us once more on the highway of national prosperity. * * * The mere fractional premium now remaining on gold is likely soon to disappear, unless that result is thwarted by a rash attempt to do by legislation what will so much more surely be accomplished, naturally, through the laws of trade. * * * If we only permit coin to be still re-

ceived for duties on imports, it is equally certain that the amount will exceed the current demands for interest on the public debt." * * *

The liabilities of the Treasury, to be met upon resumption, were stated by the Senator to be $430,-039,516; of which $346,680,016 consists of notes, $55,044,500 of coin certificates, and $28,315,000 of currency certificates. Its reserves, to meet these liabilities, are: coin in the Treasury, $156,031,236; to be received under the recent loan, $40,000,000; currency, $39,478,141. The reserves, consequently, will equal 53½ per cent. of the liabilities. The old safe ratio, he tell us, of reserves to be held by the banks equals 33⅓ per cent. of their liabilities. Government, consequently, is nearly twice as strong; but there is no probability that it will be called upon to pay out even one-sixth of its reserves. Its notes are, he tells us, in "broadcast, healthy circulation," and "cannot be massed in large amounts for redemption."

"Some question has arisen as to the ability of the banks to resume at the time appointed for resumption to take place on the part of the government. But the character and resources of these banks make it certain that there will be neither hesitation nor difficulty about the matter. * * * Diffused over a broad country, from the Atlantic to the Pacific, and held in the pockets of millions of people, these notes cannot be gathered and assorted in formidable amounts to be presented for redemption. The business of presenting bank notes will not pay when gold is only ⅓ of 1 per cent. premium, and when there will always remain the option of redemption in *legal-*

tender notes or *silver coin;* but whatever may be presented will surely be promptly paid.

"There are now outstanding and unredeemed of national bank-notes, $300,502,350. The fund to redeem with is:

Specie, ...	$54,546,201
United States legal-tender notes on hand, ...	84,478,733
United States legal-tender 5 per cent. redemption fund, ...	15,072,726
	$154,097,659

"But the banks have a much larger reserve available at a pinch, or in any great emergency. They have deposited with the Treasurer of the United States, $343,385,350 in bonds, for the security of these same notes, which will at *any moment* command the best money of the world at home or abroad. * * *

"It may be still said that there are no visible means of meeting a sudden demand made for the large amount of deposits; but it can be answered that even in times of severe stringency the aggregate amount of deposits seldom suddenly changes, as lenders only become more cautious. Bank deposits are diminished in good and prosperous times when nobody is afraid. It can be further answered that large demands for the payment of deposits have never been made, except upon banks of deposit having no circulation, and probably never will be, for the sufficient reason that the deposits of banks belong to their customers or to their stockholders; and such persons will not pull down the pillars of their own temples, when they would be the foremost to be buried or crushed beneath the ruins."

In conclusion he stated that "nearly all the serious obstacles to resumption had been surmounted; that whether or not there has been heretofore any contraction of the money of the country, there will be none after resumption; for the

reason that resumption will resurrect more than two hundred millions of actual coin, and give vitality to the whole volume of money in circulation."

So much for a currency of government notes in 1878. The argument of the Senator, it will be seen, is but a repetition of that of the Secretary of the Treasury before his own committee. There is to be no retirement, but "equivalency." Let us see what such a currency was in anticipation sixteen years ago. The Senator was then a member of the House of Representatives. When the bill authorizing the first issue of notes was before the House, he made on February 4th, 1862, a most able and earnest speech in opposition, from which the following extracts are given:

"The subject of issuing $150,000,000 of paper currency, and making it a legal tender by the government at a single bound—the precursor, as I fear, of a prolific brood of promises, no one of which is to be redeemed in the constitutional standard of the country—could not but arrest my attention, and having strong convictions of the impolicy of the measure, I should feel that I utterly failed to discharge my duty if I did not attempt to find a stronger prop for our country to lean upon than this bill—a measure not blessed by one sound precedent, *and damned by all.* * * *

"If, by the provisions of this bill, we cut ourselves off from all other resources, it is to be considered how much could be realized from this, in my judgment, *the weakest resource within our grasp, which is the power of a bank of issue, without any capital, and not even specie enough to tender the odd change.* It is an experiment to inject, by a governmental

force-pump, into the arteries of commerce a new currency, when the arteries are already filled. * * *

"I object to this bill on the ground, as I conceive, of its utter impolicy. I admit that from the contracts entered into —many of which, now due, I regret have not been paid as promptly as they deserved to be, and from the heavy monthly disbursements to our army, that the government can flood the country with even one hundred and fifty millions of paper dollars. *But from that moment you would vastly increase the cost of carrying on the war; prices would go up, and the addition we should pile upon our national debt would prove that it might have been even wiser to have burnt our paper dollars before they were issued. The inflation of the currency would be inevitable.* In ordinary times few comprehend the Archimedean leverage of a very few millions added to or subtracted from the currency of a nation actively engaged in the affairs of the world. In the former case it produces a crisis and general bankruptcy, and in the latter it puts every speculator on tiptoe to buy out his neighbor—his horse, his ox, his ass, or anything that by keeping over night will put money in his purse. Property becomes as volatile as alcohol at boiling heat, and cannot be kept within its ancient boundaries. *The poor man accustomed to butcher's meat, and who has not counted tea and coffee as luxuries, suddenly finds their daily use beyond his means.* The ecstasy of an inflated currency is enjoyed by the few only, and these are cruelly punished, when the gaseous influence subsides. * * *

"I maintain that the bill, as reported by the Committee of Ways and Means, should not pass, because it will infinitely damage the national credit; because it will cut off all other chance of supplies; because it will reduce our standard of legal tender already sufficiently debased; because it will inflate the currency, *and increase many fold the cost of the war;* because it would slide into the place of proper taxa-

tion ; because, as a resource, it must ultimately fail, and tend to a premature peace ; because it is a question of doubtful constitutionality ; because it is an *ex post facto* law, immoral, and a breach of the public faith ; because it will at once banish all specie from circulation ; because it will dampen the ardor of our men at home as well as soldiers in the field ; because it will degrade us in the estimation of other nations ; because it will cripple American labor, *and throw at last larger wealth into the hands of the rich ;* and because there is no necessity calling for such a desperate remedy."

Is it possible that the same man delivered these two speeches? One such an indignant and eloquent protest against "a currency not blessed by a single precedent, but damned by all ;" and the other an equally emphatic support of a currency similar in kind ; not of $150,000,000, but of $346,000,000 !—a currency which is at last to usher in our financial millennium !

The speeches of the Senator on the two occasions not only show the tremendous revolution which has taken place in the sentiment of the country, but the almost insuperable obstacles opposed to all efforts at reform. The cause is far weaker in the hands of its friends than in those of its enemies. The arguments of the latter can be easily combated, while those of the former, apparently so reasonable, lead in the end to results precisely similar. According to the Senator, $346,000,000 of government notes are good money. As there is no recovery of the country from its

depressed condition, the question naturally suggests itself, would not an increase of this good money to $400,000,000 help to start things? Who ever heard of there being too much of metallic money? A nation is always rich in ratio to its amount. If not wanted as currency, it is merchandise for export. There never can be too much symbolic money, as this only measures the amount of merchandise fitted for consumption, is the instrument for reaching it, and disappears when it is reached. Such money is at the par of gold for the reason that it secures whatever gold as currency can secure—even gold itself. After government money is to be raised to the par of gold, how can there be too much of this? Suppose the present amount to be increased to $700,000,000, maintained at par by a provision of $250,000,000 in coin. Government would be the gainer by an amount equal to the interest on $450,000,000, the excess of the notes and coin, while the country would have $350,000,000 more capital. The conclusion, in the present state of the popular mind, is irresistible. The premises of the Senator granted, all is granted, at least with a proportional increase of coin reserves, that the most ardent greenbacker could desire.

To all this must be opposed the utter incompetency of government to issue a convertible or useful paper money of any kind. What is a con-

vertible and useful currency?—a question that can never be too often asked or answered in the present state of the public mind. Instruments arising out of the operations of production and trade; this is all. When a farmer gives an order for the delivery of an ox or a horse, he gives that which is precisely the same in kind as the notes of specie-paying banks. Where the order directs the delivery to the bearer of the thing described, it is currency, precisely as much so as the notes of specie-paying banks. If the order be for an ox or a horse which the drawer cannot convey, he must make good the amount in coin, or its equivalent. The use of such currency—orders for capital—is the prime condition of anything like an extended production and trade. Society, as at present constituted, cannot exist without them. When the thing is reached the instrument has fulfilled its mission, and has no longer any force. It cannot, without a new sanction, go on transferring ox after ox or horse after horse, any more than can the receipt for one dollar stand for the payment of thousands. The moment the connection is severed between the order and the constituent, the former falls to the ground. Government money is the order without the ox or the horse—without the constituent—and would instantly fall to the ground but for the fact that being legal tender, it must be accepted as the equivalent of an ox or a horse which may have no existence whatever. It is an active force or power

to which nothing corresponds. It inflates prices for the reason that there are now two dollars to offer for the merchandise upon the market where there was one before. When accepted and used, it is still as much in use as ever. It is always the same in quantity, even if there were not a dollar's worth of merchandise in existence. The reason why a symbolic currency, no matter how great its amount, has no tendency to produce speculation and raise prices is that its use, by reaching the thing symbolized, retires it. The symbol and the substance disappear by the same act. What would be the condition of a community were every member of it allowed to issue, and could compel the acceptance of, orders for oxen and horses of which he had neither the possession nor the right of possession, and which might have no existence whatever? We need not wait long for a reply. All the operations of society would soon be involved in inextricable confusion and loss. Government assuming to issue such orders without any adequate provision therefor, and to compel their acceptance, the result is the same as if every individual possessed and exercised the same privilege and power.

According to the Secretary of the Treasury and the Chairman of the Finance Committee of the Senate, when government has resumed on a provision of $120,000,000, or, including silver, of $140,000,000 in coin, the banks and the country

have resumed! Resumption means the establishment of a proper relation, not only between the metallic and paper currency of the country, but a proper relation between the metallic currency and the business and wealth of the country. The banks and the people must hold reserves as well as the government. Taking the Senator's ratio of 33⅓ per cent., the reserves to be maintained by the banks should equal say, $440,000,000—their circulation, including deposits, equaling 1,448,000,000,* as follows:

National bank notes	$314,000,000
" " deposits	626,000,000
Deposits of State banks and bankers	508,000,000
	$1,448,000,000

The government notes would bring up the total circulation to $1,794,000,000. These need not be counted, for the reason that when government resumes it ceases to be an issuer of currency. When the banks resume their circulation will be so much reduced that they will not have to hold over $300,000,000 coin. If such an amount were held by them, and it included all the coin in the country, they could not maintain resumption 24 hours. The proper order of resumption is for the people to resume

* In addition to the liabilities of the national and State banks and bankers, are $843,000,000 of deposits in savings banks, making a total of demand liabilities of all our banks of $2,291,000,000. See Finance Report for 1877, p. 142.

first, so as to be in position to sustain the banks, instead of having every inducement to attack them. In 1860, the total circulation of the banks of this country equaled $459,000,000. They held a little over $100,000,000 in coin. There were fully $150,000,000 of coin, in addition, in circulation. The total percentage of coin to the bank circulation equaled fifty-four per cent. We must, before we are upon a sound basis, have a similar proportion of coin to our paper money — the banks holding only the smaller proportion of the former. The most trustworthy estimates place the amount of coin in France at $1,200,000,000, of which $500,000,000 is held by the Bank of France. The population of that country equals only three quarters that of our own. The total amount of coin in England, whose population is only about three-fifths of our own, equals $500,000,000. The Germans, under their new system, have already issued coins to the value of $477,237,600, and still have old demonetized coins of the estimated value of $76,000,000 to be taken in. Our country is much more populous and vastly richer than Germany; our paper currency is thrice greater. The operations of banks only reflect those of the people. Those of the latter are far greater in amount, and must be supported by corresponding reserves from which the banks must draw their own. In England, France, and Germany, coin in the hands of the people is the great reservoir from which sup-

plies are drawn to meet sudden emergencies. The only way in which tendencies to speculative movements can be checked is to compel the public to pay their debts in coin by the refusal of the banks to make further discounts. That done, their bills must, in part at least, be paid in coin. We have been so long upon a false system of currency that we have lost all sense as to what is necessary to constitute a good one. In our present efforts at resumption we are like architects who would erect a Saint Peter's or a Saint Paul's cathedral upon the support of a single pile!

The near coincidence in price of gold and government notes has nothing to do with the value of the two. With our legal-tender currency, gold coins are merchandise as much as are iron or lead. All kinds of merchandise, from an absence of demand, have fallen within the past three years very largely in price, in ratio to greenbacks. Gold has fallen much less relatively than other articles. It would be as absurd to say that the present price of gold and greenbacks expresses their relative value, as it would to say that the price in greenbacks of a great many articles indispensable to society, but which are produced and sold at a loss, expresses a fixed relation between the two. The time will come when the relative price of notes and many articles of merchandise will change greatly and permanently. Gold is one. This cannot now be loaned as money

at anything like the rate for greenbacks. Every one now expects that resumption will speedily take place. Every one consequently prefers to hold greenbacks to gold for the better use that can be made of them. No one cares to pay one per cent. as the price of conversion of paper into gold, when he will be presently able to make the conversion without paying anything. As it is, he is better off, apparently, with notes than gold. The same person may not wish to exchange greenbacks for iron, although it may speedily be seen that iron is worth a great deal more than its present price in the former. As it is, the public have wholly thrown aside all consideration of values, and infer that of greenbacks from their present accidental approach to gold. Their value depends wholly upon the provision for their redemption. They are apparently worth at least 35 per cent. of their nominal amount, for the reason that such proportional provision has been made for their retirement. To such value is to be added the provision yet to be made. Should the additional 65 per cent. be made so as to be available on the 1st day of January, 1882, their value would equal their nominal amount, less interest up to the time of their payment. In other words, their price would be their value established by the rules by which the value of all other kinds of property is established. It will soon be seen, however, that no connection can be established between the notes and coin collected in the Treasury.

The notes with the provision to be made for them will not come to the par of gold; nor will silver coined at 10 per cent. below its bullion value. The doors of the Treasury will not be unlocked. This point reached—the inability of the government to resume upon the provision proposed—comes the real tug of war. If the government has sufficient manliness it will say: "We have been mistaken; we thought a part would pay a whole; we must now take time to prepare for the whole." Upon the action taken upon such an issue depends the answer to the question, Will the country resume by a retirement of its notes by payment in some form, or by repudiation? an act which will necessarily include the practical repudiation of the public debt, for the reason that this will be speedily made payable in the notes.*

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* It is hardly necessary to give a detailed account of the "Confederate" currency. The amount issued equaled $672,805,000, as follows:

Issued in	Amount.
1861	$161,500,000
1862	123,000
1863	511,182,000
Total	$672,805,000

The currency ceased to have any value after the surrender of Lee. Its effect was to ruin every bank and savings bank in the South. After their terrible experience, is it not incredible that the people of that section should insist upon the maintenance of a currency, the same in kind as that which ruined them, and which may repeat to them the experience of the past?

The following statement shows the depreciation of that currency at different periods:

Period.	Value per $100.
January 1, 1862	$120
July 1, "	190
January 1, 1863	310
July 1, "	700
January 1, 1864	1,800
July 1, "	1,700
January 1, 1865	3,400
April 10, "	5,500

PART V.

THE GREENBACK PARTY.

THIS party may be considered as formally organized, distinct from all others, by a general convention of delegates held at Toledo, Ohio, on the 22d of February, 1878, at which, among other things, the following preamble and resolutions were adopted:

Whereas, Throughout our entire country the value of real estate is depreciated, industry paralyzed, trade depressed, business incomes and wages reduced, unparalleled distress inflicted upon the poorer and middle ranks of our people, the land filled with fraud, embezzlement, bankruptcy, crime, suffering, pauperism, and starvation; and

Whereas, This state of things has been brought about by legislation in *the interest of and dictated by money-lenders, bankers, and bondholders;* and

Whereas, The limiting of the legal-tender quality of greenbacks, the changing of *currency bonds* into *coin bonds*, the demonetization of the silver dollar, the excepting of bonds from taxation, the contraction of the circulating medium, the proposed forced resumption of specie payments were *crimes* againt the people, and, as far as possible, the results of these *criminal* acts must be counteracted by judicious legislation;

Therefore we assemble in National Convention, and make a declaration of our principles, and invite all patriotic citizens to unite in an effort to secure financial reform and industrial emancipation. The organization shall be known as the

"National Party," and under this name wew ill perfect, without delay, national, State, and local associations to secure the election to office of such men only as will pledge themselves to do all in their power to establish these principles:

First—It is the exclusive function of the General Government to coin and create money, and regulate its value. *All bank issues designed to circulate as money should be suppressed.* The circulating medium, whether of metal or paper, shall be issued by the government, and made a full legal tender for all debts, duties, and taxes in the United States at its stamped value.

Second—There shall be no privileged class of creditors. Official salaries, pensions, bonds, and all other debts and obligations, *public and private*, shall be discharged in the legal-tender money of the United States, strictly according to the stipulations of the laws under which they were contracted.

Third—*Resolved*, That the coinage of silver be placed on the same footing as that of gold.

Fourth—Congress shall provide said money adequate to the full employment of labor, the equitable distribution of its products, and the requirements of business, fixing a minimum amount per capita of the population as near as may be, and otherwise regulating its value by wise and equitable provisions of law, so that the rate of interest will secure to labor its just reward.

Should Congress, to relieve the distresses of the country, provide for an issue of its notes in place of those of banks, the effect would be precisely the same, so far as production and trade were concerned, as if it should, without the possession of a dollar of exportable capital of any kind, undertake to draw all the bills of exchange between the United States and other countries; prohibiting the

drawing of a single one by parties possessed of such capital. How long would it be before the commerce and industries of the country would be in such confusion, and so reduced that the laborer who now gets one dollar a day would get but half a dollar? Is not the answer palpable to every one in the land?

Suppose government to undertake, as is demanded, to issue an amount of its money adequate to secure full and remunerative wages to labor, say $1,000,000,000, how is it to be issued? The revenues to-day exceed the expenditures; so that it could not be got out in their payment. It is not to be given away. If it were, it would have no purchasing power whatever. Those who received it as a gift would have to give it away. No one expects to receive it, or pay it, at any other rate than its market value in gold. No one will receive it, or pay it, at any other value. If issued at all, it can be issued only in exchange for, or payment of, the public debt. This, in fact, is the method proposed. Those who would receive it would be the rich. Not a dollar would come, in the outset, into the hands of the masses—of the poor—and never, unless paid for at its full value. They would be compelled to receive it at its nominal value for everything they might have to sell. To the natural effect of such money, which always exhausts a people in ratio to its amount, would be added that due to the withdrawal of the rich from the

operations of production and trade among a people who had shown themselves unfit to be longer trusted with the money of others. As their industries would necessarily decline, those dependent upon labor would be compelled to live upon their past acquisitions—to sell day by day something of what they possessed. There would be none who could buy but the rich, with the very money issued to them in exchange for their bonds. It would not be long before all the valuable property of the nation would in this way come into their hands; while the money of the country, which would be all the poor would have to show for what they possessed, would, when the crisis came, be almost wholly in their hands. All this is a matter of proof—of history. It was so under the Continental Currency; it was so under the French Assignats; it must be so by the force of natural law. The people may so order it that government money shall pay debts, both public and private; but they cannot so order it that they shall reach a single dollar of this money without paying its full value in coin; nor can they by any power avoid receiving it, or prevent it from becoming, where the amount is large, utterly worthless on their hands. Our money, from the smallness of its amount, and the expectation of its payment, is not greatly depreciated; but the transfer, due to its use, of the property of the poor and middle classes to the rich was never going on at a more fearful rate than in

this country at the present time. It only needs a large increase of such money to make such transfer speedy and complete. The whole attention of the laborer, from morning till night, is necessarily riveted upon his work. He has neither the means nor the opportunity of forecasting the future or of forestalling the market, but takes, at the close of the day, his accustomed dollar—for it will be a long time before the rates of his wages rise in consequence of the issue—to find that it will only procure for him one-half the accustomed amount of food and clothing. If, as is demonstrable to the most ordinary understanding, the laborer always receives a greenback at its value in coin, and if from the fluctuation in its value he always runs the risk of loss by taking it, and may lose its whole value, why should he not demand to be paid in coin, instead of greenbacks at their value at the time in coin? There can be but one answer to this. A greenback currency cannot by any possibility benefit the laboring man. It is always harmful to him—1st, by increasing competition, and reducing his proper share of merchandise upon the market; 2d, by its effects, first by stimulating, then by paralyzing all the industries of the country, in consequence of which he loses all opportunities for labor. History is full of examples of such currencies. There never was one that was not an unmitigated evil, and never one issued on a large scale that did not end in repudiation, the necessary result of the impoverishment and ruin it caused.

Government, according to the Greenback party, is to undertake to provide such an amount of its notes that labor is to receive its adequate reward; in other words, society is to provide the means for the support of every one who may claim to be out of work. If so, those to be provided for will soon vastly outnumber all others. The real question is whether we shall, without delay, turn ourselves into a nation of communists—attempt, we should say, for all such propositions are but the dreams of madmen. There might be some apology for an attempt to realize communism by means of industrial organizations; but an attempt to realize it by means of an unlimited issue of paper money, would, instead of making us a nation of communists, make us a nation of cutthroats, preying upon each other, till society became so exhausted as to be only too glad to escape from its fearful condition at any price, even that of a grinding despotism. Are the property holders, the farmers, those upon whom, in this sorely taxed land, rest the burdens of government and society, prepared to accept, or tolerate even a creed, the effect, and on the part of the leaders the object, of which is to encourage the more lawless and dangerous passions of our nature, and which, if triumphant, cannot fail to subvert alike all property and order?

While communism is one of the greatest dangers that can menace a State, it is always the product of

bad government or of some great social wrong. The people never rise up against the government, against the existing order of things, without great provocations. If they did, both government and order would be impossible. There may be great want and great suffering, but these are quietly borne, and by none more patiently than by the poor, provided no one appears to be justly consurable for their distresses. The people of France, previous to the great revolution, had for centuries borne, with a patience that exceeds belief, the most terrible exactions of a depraved and remorseless government. Their subsequent excesses only measured the extent of their wrongs. In the United States, we should not have heard one word favoring communism, but for our currency. That is the sole cause. The effect will constantly increase in magnitude and power so long as the cause remains. Remove that, and every trace of communism will almost instantly disappear. Prosperity will instantly return. A demand will at once be created for labor. The great mass now so clamorous will be only too happy at such a solution of the question. Among our own race, at least, a community that has no just cause of complaint is always orderly and docile. With it a sense of duty is the paramount law. There can be no prosperity where an enforced currency is the basis of the whole monetary system of the nation. Unless we address ourselves to the removal of the cause, the

movement now so formidable will rapidly gain in strength, with constantly increased demands—demands which, if complied with, will be the destruction of the very conditions through which alone relief can come.

As there is no instrument or contrivance so potent as a currency of government notes for brutalizing a nation, its issue always becomes the occasion on which desperate and revolutionary characters, by arousing the passions of a distressed and distracted people, and by exciting a war of classes, the most terrible and most sanguinary of civil conflicts, rise to positions of influence and power. Never was there such an opportunity as that afforded by the Assignats of France, which far exceeded in amount and effect all examples of the kind. Never did such cruel and remorseless demagogues appear on any stage of action as those who inflamed the populace of Paris, and urged them to their final destruction. The same conditions, though less in degree, exist in the United States. A period of unexampled distress, due to our currency of government notes, prevails. The readiest and most popular explanation is that it has been caused by the avarice and selfishness of the rich. Vast masses are in debt. Their creditors, who demand payment, first robbed them by the conversion of currency into gold bonds; then by the act demonetizing the silver dollar; then by that for the resumption of specie payments; then

by the contraction of the currency. All these measures were conspiracies—were crimes—of the rich against the poor, and are to be resisted by every means in the power of the latter—in the last resort, by *revolution.*

"If I were in debt five years ago," said Mr. Bland, author of the bill remonetizing silver, to a delegation of New York bankers and merchants who visited Washington to remonstrate against its passage, "a hundred dollars, the wages of my labor, worth one dollar a day, would pay the debt. To-day, by the reduction of the volume of the circulating medium, you have so reduced prices, till labor is worth only fifty cents a day; and instead of paying with a hundred days' work, it now takes two hundred. That is the complaint. These are plain propositions, and the West can understand them. * * * And having contracted debts on a paper basis at inflated prices, you now ask them to pay you at contracted prices; you take two bushels of wheat, whereas you gave them but one. I now want to say to you, with all due deference, that you had better accept this proposition" (to coin silver at 10 per cent. above its bullion value). "If I know the people I represent, and I think I do, throughout all the West—and we had a *little experiment* last summer" (the great railroad riots), "when there was an uprising from one end of the Union to the other—promises were made that this financial matter should be attended to, and that these people should have some relief; and these people went home, and are looking to Congress.

"But I tell you that if you put on the screws much further, and reduce this people much further to the necessities, when their uprising comes *again*, there is no power in this government to put it down again, and instead of your bonds being paid in gold, *they will be wiped out with a sponge!*"

The great indictment against the conspirators who are seeking to rob the people and to reduce them to slavery, was drawn up by Mr. Voorhees, Senator from Indiana, who in his place in Congress on the 2d of May, 1878, said:

"The object of the law (demonetizing silver) was soon found to be not the impossible task of procuring a sufficient amount of the precious metals to form the basis of specie resumption, but simply to reduce, retire, cut down, and destroy the amount of money in circulation in the hands of the people, until it approximated the comparatively small amount of gold which we had in our possession, or which it was possible for us to obtain. In pursuing this purpose the amount of human misery, of individual wretchedness, of destitution, of crime, of vice, of the destruction of property values, of the overthrow of wealth-producing establishments of industry, is simply beyond the power of language to describe. It is conceded on all hands that in this attempt to reduce the volume of our circulation, in order to reach what is called a specie basis, the shrinkage in the values of property—that is to say, the absolute destruction of values—has reached the enormous and appalling sum of over $10,000,000,000. One-fourth, at least, of the property of the United States has been absolutely confiscated. It is not wonderful, therefore, that from the highest to the lowest intelligences the victims of this *vast national crime* should have very quickly discovered the source of their calamities. * * *

"The servile castes of the East Indies, with a blind and ignorant faith, worship the Juggernaut, and feel no resentment when mangled and crushed by their hideous deity. It is not so, nor will it ever be, with the American people. They will not worship at a cruel, heartless shrine; they will rather teach their children and their children's children to execrate the authors of their misfortunes. * * *

"Sir, in point of fact there never was the slighest reason in justice why the paper circulation of this country should have become depreciated. When the legal-tender note was first authorized as money, if we had said it was good money, and by our acts convinced the world of our sincerity, it would have maintained an equality with the precious metals from the beginning. This has been the history of other governments, and it would have been our history, if capital had been capable of a single throb of patriotism when it was called on to assist in the preservation of the Union. * * *

"The hard-handed, sun-burnt millions who rise to their daily tasks while the morning star is yet in the sky, and toil for a subsistence till the evening star appears, are constantly lectured on the virtues of economy by the dwellers in palaces, by the inmates of gilded mansions, by the masters of liveried attendants, by the lords of millions, by all such as derive their incomes and their luxuries from the labor and the privations of others. The poor are exhorted to give up luxuries which they have not, in order that the rich may add to their already great abundance. Go to the homes of those who eat their bread in the sweat of their faces, and ascertain if you can the extravagances in which they indulge. Do they maintain costly equipages, splendid carriages, and richly caparisoned horses? Are their humble dwellings adorned with valuable paintings, or fitted up with expensive furniture? Do you see pier-glasses on their walls and feel velvet carpets beneath your feet on their floors? Take a seat with them at their frugal but hospitable tables. Do you find extravagance there? Where is the solid silverware, the long succession of delicate dishes, the various brands of high-priced wines? None of these things are found to tempt the epicurean taste of those who, while preaching economy to the industrial classes, sit down each day to banquets such as Dives presided over while Lazarus lay at his gates begging bread. * * * One form of slavery has been swept from American soil.

Another form has followed it, not to last so long, let us hope, but equally remorseless and unsparing in its exactions upon labor. It is the slavery of debt. It is upheld by the sanctions of law, but the great question of American statesmanship for the next fifty years or more will be its abolition, without doing violence to our national honor. Year after year, in one form or another, that leading idea will press itself on us for solution."

Mr. Ewing of Ohio, in a recent speech in the House upon the same theme, although less graphic than Mr. Voorhees, was equally emphatic:

"It would have been happy for the people if they had considered these questions earlier. They would have been saved, among other things, the passage of the act of repudiation and extortion of 1869, by which the contract on which $1,600,000,000 of the public debt was made, was changed, to the detriment of the people and to the advantage of the holders of public securities without consideration, to a sum of not less than $500,000,000, and they would have been saved that stealthy and rascally act for the demonetization of silver and the crowning scheme of the money power for the oppression of the people, the Resumption law. No greater injury (he said) could be inflicted on a people by its government than the reduction of the volume of currency, to which the business and the values of the country were adjusted. To decrease the value of money was to strike at the interest of the whole body of the people. * * *

"The resumption was a practical confiscation by law of $3,500,000,000 of property. Three-fourths of all classes of the people of this country were debtors, and it was their hard-earned accumulations that were being wrested from them by this robber-law. * * *

"The thing has been pushed just as far as it will bear."

The preceding extracts are the distant, but by no means a faint, echo of the speeches of Couthon, Marat, and St. Just, which, by the terrible pictures they drew of the wrongs and sufferings of the people of France, inflamed their passions, aroused their hate and goaded them on to those fearful excesses and crimes, which make that period stand alone in history. The pictures drawn by Mr. Bland, Mr. Voorhees, and Mr. Ewing are conceived in the same spirit; are couched in the same inflammatory language; are as untrue, as far as the cause is concerned, and tend to the same terrible results as those of their great prototypes of the Reign of Terror. They speak with the same consciousness of power. They sway with the same ease the great assembly of the nation. Their first "little experiment" was the gigantic mob, which, in 1877, with the bludgeon in one hand, and the torch in the other, seized so many of our cities; which for a long time defied the utmost power of the municipal and State authorities, and which only yielded at last to the strong hand of the Federal Government; but not until vast amounts of property had been committed to the flames, and a great number of lives sacrificed. This first "little experiment" is a feeble note of warning of what is to come, if the future demands of the revolutionists are not fully complied with. The next "experiment" is to defy the whole power of the Federal Government itself! We may affect to laugh at such lan-

guage; but no laughing will obliterate the scenes of 1877, which for a long time held the nation spell-bound with terror. In the mean time, the condition of the people has not improved. Their sufferings are still as intense as ever. Their indictment preferred against their oppressors has lost none of its force. They are actively organizing in support of the New Party, in almost every town and village throughout the land. The great parties into which the country has been divided are eagerly enlisting under its banners.* It has al-

* One illustration will suffice for all. Three years ago the money plank, in the platform of the Democratic party of the State of Maine, at its annual State Convention, was

"A sound currency, coin or its equivalent, essential to stability in business and a restoration of prosperity. Steps toward specie payments, and no step backward."

This year a similar State Convention, held June 18th, 1878, resolved that

"We are opposed to an irredeemable currency, but believe in a currency for the government and the people, the laborer and office-holder, the pensioner and soldier, the producer and the bondholder. We are opposed to the present national banking system, and in favor of the gradual substitution of greenbacks for national bank bills."

We know of no more striking or melancholy illustration of the decline in the intellectual and moral tone of the country than that afforded by the recent action of the Democracy of that State upon the subject of the currency. This party owed its second great revival to the action of Jackson in crushing the Bank of the United States, that he might inaugurate the reign of the money of the Constitution—silver and gold. The Democratic Party, and the Hard-Money Party, were for a long time synonymous terms. The other

ready achieved two great triumphs—the Silver bill, of which a copy has already been given, and that prohibiting the retirement of the government notes, passed May 31st, 1878, of which the following is a copy:

"Be it enacted, etc., that from and after the passage of this act, it shall not be lawful for the Secretary of the Treasury, or other officer under him, to cancel or retire any more of the United States legal-tender notes; and when any of said notes may be redeemed or be received into the treasury, under any law, from any source whatever, and shall belong to the United States, they shall not be retired, canceled or destroyed; but they shall be reissued, and paid out again, and kept in circulation; provided that nothing herein shall prohibit the cancellation and destruction of mutilated notes, and the issue of other notes of like denomination in their stead, as now provided by law. All other acts, and parts of acts, in conflict herewith, are hereby repealed."

This latter act, the second great achievement of the party, was to be followed by others which would have completed the work; but they fell, in the hurry attendant upon the close of the session, through a disagreement between the two Houses of Congress in matters of detail. Bills having the same object were passed in both by immense majorities. That which passed the Senate is as follows:

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great party was accused of being, and was overthrown as, the Soft-Money Party—as the party of paper. Now, the Hard-Money Party of Maine not only wholly deserts its principles, but goes for a money infinitely worse than that of the banks.

"Be it enacted, etc., that from and after the passage of this act, United States notes shall be receivable the same as coin in payment for the four per centum bonds now authorized by law to be issued; and on and after October 1st, 1878, said notes shall be receivable for duties on imports."

The House bill was equally broad and comprehensive in its terms. There can be no doubt that the present Congress, immediately upon its reassembling, will pass a bill providing for receiving the notes of the government in payment of the customs duties. That done, we are on a basis of inconvertible government paper which can neither be converted into gold, nor contracted; and in which, from the necessities of the case, the revenues must be paid, and all indebtedness, both public and private, discharged. The most ardent repudiationist must be satisfied with such a victory. There is but one step farther—to increase, as is demanded, the amount of the government notes. If such be the case, it will be some consolation to know that the remedy will presently follow in the speedy repudiation of the notes themselves. Government notes can never become the permanent currency of a people. The disasters which follow its use will sooner or later compel its abandonment. What folly to prolong its disastrous effects by continuing its use!

PART VI.

THE METHOD OF RESUMPTION.

SHOULD Congress enact that from the 1st day of January, 1880, its notes should be legal tender only for the discharge of contracts then existing, and not thereafter be received in the payment of revenues; and should provide for their immediate funding into bonds, payable in fifty years, and bearing interest, say at the rate of 4 per cent., a moderate amount, with the present abundance of money, could be funded. The process would, however, proceed only for a short time before the rate of interest on loans of them would exceed that on the conversion bonds. Funding would then cease. The average rate for money would probably exceed 4 per cent. up to 1880, when the notes would be discharged of the legal-tender clause, and would lose a portion of their value. Their funding would again begin, but would not proceed far before they would again command a higher rate of interest, on loans of them to parties who had old contracts to close up, than that accruing on the bonds. As debts presently maturing were paid off, funding would again begin, to be checked in the manner already described. It would at no time proceed at a rapid pace from the uses which the notes

would have for other purposes than conversion; it would proceed only when money—the notes—was abundant. The process of resumption could not cause an injurious contraction, so far at least as the debtor classes were concerned. So long as there was a demand for the notes, they would remain in circulation in full volume. For such contracts as were to mature at a distant day, government should reissue them in exchange for the conversion bonds. Such provision would seldom have to be resorted to, as creditor and debtor would in more cases compromise their differences, and place their contracts on a specie basis. Resumption on such a programme would excite no alarm; it would be resumption without the provision of a dollar of coin by the government. It would be resumption at a single bound, the only resumption that government should ever undertake, by declaring that on and after a certain day the notes would be funded, as the only provision to be made for them. It would be resumption upon a full currency, to decline in amount only as it ceased to be wanted. It could not be attended with any great shock to business, as every one would see that there was to be no lack of that wherewith to make his payments. It could not be oppressive to the debtor classes, as that in which they were to pay would certainly not be increased in value, and could always be had in exchange for bonds which, from their low rate of interest, would for a long time be

likely to rule below the par of gold. The moment the proper measures were taken by government, every one would prepare for resumption. The banks would be compelled to provide coin reserves for all their new engagements, as the notes would not serve as reserves for issues made after the law went fully into effect. They would retain all the interest paid them on their bonds, and make additions thereto from every source within their reach. The act of resumption on the part of the government would, with the exception of the provision of the conversion bonds, be purely negative. That on the part of every member of the community would necessarily be positive, requiring for success time and freedom from apprehension as to the future. It is a work upon which the whole people would enter with the greatest alacrity, the moment government retired from the field.*

* The following table shows the exports into and imports from the United States for the last five years, reckoned at their value in gold:

Year ending	*Exports.*		*Imports.*	
	Total.	Specie.	Total.	Specie.
June 30, 1874...........	$597,551,000	$66,630,000	$572,081,000	$28,455,000
" 1875...........	605,575,000	92,132,000	531,473,000	20,901,000
" 1876....	596,891,000	56,506,000	455,408,000	15,937,000
" 1877......... .	658,637,000	56,162,000	466,265,000	40,774,000
May 31, 1878 (11 mos.)..	647,948,000	30,230,000	429,749,000	28,329,000
Total :............	$3,106,602,000	$301,660,000	$2,454,976,000	$134,396,000

The excess of exports of the country over imports, within a little less than five years, have equaled $651,626,000 ! A correspond-

As the hypothetical would be an effective method, attended with the least possible amount of injustice, and creating the least possible amount of embarrassment, it is the one that should be adopted. So far from creating any alarm, it would instantly set every industry in motion, from the confidence it would inspire. To-day it is feared that should the Secretary attempt, upon partial provision, to resume, there would be an immediate rush for coin, producing a corresponding contraction of the currency. Although the coin drawn would be money, it would not immediately take the place that had been filled by the notes, nor serve presently as reserves for increased issues by the banks. Should it be attempted to resume by a full provision of $346,000,000, the whole would be speedily drawn, to be followed by a shock which would involve every interest of the country in a common ruin. It is impossible that government should resume by payment; or rather, in view of the disasters which would be inevitable, it could never be brought to such a step. The Secretary saw this; hence his doctrine of "equivalency," in conse-

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ing sum should, by the laws of trade, have been received in specie—a sum nearly, or quite sufficient, to put the country on a specie basis. What an opportunity has been lost to it. The government has, by purchase, accumulated for various purposes about $200,000,000 in coin, but hardly anything has been accumulated by the banks, or has entered into the channels of trade. Nothing of the kind will be done except for purposes of speculation, so long as the public can meet their obligations in the government notes.

quence of which there was to be no inducement to draw the notes; and the retention of the legal-tender clause, to be resorted to when he was hard pressed. Instead of manfully facing the question, he only hid his head in the sand. Instead of treating money as a subject coming within the range of the exact sciences, he deduced its laws from his necessities and from his own imagination. Instead of heeding the universal testimony of history, he assumed the rôle of creative power. He may have picked up something out of the books, but the genius of a statesman must transcend the wisdom of the books, especially those upon Political Economy, which upon the subject of money violate every rule of reason, as well as the universal experience of mankind.*

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* The writer, in a recent work on "Money; its Laws and History," preferred a grave indictment against the Economists, for their teachings upon the subject of money. One illustration will serve for all.

"While the State," says Ricardo, "coins money, and charges no seigniorage, money will be of the same value as any other piece of the same metal of equal weight and fineness; but if the State charges a seigniorage for coinage, the coined piece of money will generally exceed the value of the uncoined piece of metal by the whole seigniorage charged, because it will require a greater quantity of labor, or, which is the same thing, the value of the produce of a greater quantity of labor to procure it.

"While the State alone coins, there can be no limit to this charge of seigniorage; for, by limiting the quantity of coin, it can be suited to any conceivable value.

"It is on this principle that paper money circulates; the whole

Should the mode of resumption suggested—the only practicable one—be resorted to, the gold now in the Treasury will have been collected to good purpose. The greater part of it can be used in the purchase of bonds, and in this way go into the possession of the banks. But the retirement of the government notes would by no means establish an

charge for paper money may be considered as seigniorage. Though it has no intrinsic value, yet by limiting its quantity, its value in exchange is as great as an equal denomination of coin or of bullion in that coin. On the same principle, too, namely, by a limitation of the quantity, a debased coin would circulate at the value it should have if it were of the legal weight and fineness, not at the value of the quantity of metal which it actually contained. * * *

"On these principles it will be seen that it is not necessary that paper money should be payable in specie to secure its value; it is only necessary that its quantity should be regulated according to the value of the metal which is declared to be its standard. If the standard were gold, of a given weight and fineness, paper might be increased with every fall in the value of gold, or, which is the same thing in its effects, with every rise in the price of goods. * * *

"A currency is in its more perfect state when it consists wholly of (government) paper money; but of paper money with an equal value with the gold which it professes to represent. The use of paper instead of gold substitutes the cheapest in place of the more expensive modern medium, and enables the country without loss to any individual to exchange all the gold which it issues, and for this purpose, for raw materials, utensils, and food, by the use of which both its wealth and enjoyments are increased." *

The flights of Bland and Voorhees, in reference to the nature and laws of money, are not a whit more extravagant than those laid down in the preceding extracts, doctrines which are taught as fundamental principles in every college in the country, in which political economy is part of the course, and in which the works of Adam Smith, Ricardo, John Stuart Mill, Bowen, in fact of the whole

adequate monetary system for the country. To accomplish this involves a radical change in the law creating the national banks. They would not be alluded to in this connection, were it not certain that they must occupy a prominent place in all discussions upon the reformation of the currency. The banks, when they resume, must, unless their circulation be greatly reduced, provide coin reserves equaling at least $300,000,000. A period would soon be reached when government notes will no longer serve for such purpose. Government could supply a large amount; but this will cost as much as it would to import it from abroad. Where are their means for such a vast accumulation of coin? The capital of a great portion of them is locked up in Washington. Upon this they receive interest in gold, a very profitable arrangement, so long as they remain in suspension. They now issue their notes with almost entire impunity.

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class, are used as text-books. What have we to expect from legislative bodies when our universities, the most distinguished in the land as the sources of instruction, teach that which is not only wholly repugnant to reason, and which is not sanctioned by a single example in history, but is refuted by all? That doctrines alike opposed to reason and experience should have held undisputed sway over the conviction or assent of the race, since teaching began, is the most striking example which history has yet afforded of the longevity of sophisms when uttered with a great show of learning and sanctioned by great names, and of their immunity from attack when a hoary antiquity shall have rendered impious all inquiry as to their right to rule.

* Principles of "Political Economy and Taxation," chap. xxv.

When they resume, they must have their capital, not in Washington, but in hand. A grave charge against them at the present time is, that they are annually receiving from the government some $20,-000,000 in coin, in addition to the profits derived from the regular business. There is a certain degree of force in this charge. There will be none, however, when resumption takes place, for they must provide the necessary reserves, or go out of business. If they provide them from sources other than their bonds, they have as good a right to hold these as a part of their investments, as have individuals to hold bonds as a part of theirs. The great majority of the banks cannot afford to hold them as investments. They require their proceeds as active capital. These would give the banks all they might need, the greater part of which could be drawn from abroad. A bank in Minnesota, for example, which scraped together $100,000, for the purchase of an equal nominal amount of bonds, to be deposited as security for $90,000 of notes, would upon resumption have nothing but its deposits—which would always be small in amount—to loan. Upon resumption, all its liabilities will return to it within periods of ninety days. It must hold coin reserves in ratio to the whole amount of its liabilities, notes as well as deposits, or it will forfeit the confidence of the public, and subject itself to a run which will inevitably drive it out of business. A safety-fund system is adapted to only large cities,

where the loans are chiefly based upon deposits, utilized by checks. It never works successfully with metropolitan banks having a large circulation, for the reason that the securities held for the notes are never available in periods of great pressure. The Bank of England holds $75,000,000 of governments, as a part security for its notes. As it cannot sell the former in a panic, every great pressure drives it into a position in which it has to invoke the aid of government to save it from disastrous failure.

Resumption consequently involves the entire reconstruction of the banking system of the country. It is a great misfortune that the central government ever took the banks from the control of the States. It was a measure wholly unwise in a political as well as in a commercial point of view. They can be much better looked after by local authorities, than by those far distant from the places where they are situated. This matter, however, is referred to here rather by way of suggestion than argument.

The object of the preceding pages is not so much to discuss systems as to show the wide distinction between the money of banks—of commerce—and that of government; and the necessary effect of the latter in sapping, alike, the moral, material and intellectual welfare of a people using it. Every example in history fully sustains the deductions of reason. So far, all issues of government money,

where the amount has been large, have been repudiated, not from choice, or any deliberate act, but from necessity. Our own is tending rapidly to a similar catastrophe. Where issued in large amounts, no other solution seems to be possible. The danger, in our own case, is greatly increased by the almost universal acceptance of the amount in circulation as good money. With such premise, the position of the greenbackers is a perfectly logical one; and it is not strange that the New Party should receive a great number of recruits of well-meaning men from both of the old political organizations. Their leaders are actuated by very different motives; their object is the repudiation alike, of the public and private indebtedness of the country. They have the sense to see that the object which they have so much at heart will be accomplished by a measure which the Secretary himself recommends—the receiving of government notes in payment of all the revenues—as effectually as by an overt act declaring that the national debt should never be paid. Such a step taken, there will be but one currency for government and people. The inference will not then be a strained one, that what is good enough for the government and people is good enough for their creditors. Such a conclusion, so agreeable to the condition of the country, and apparently so reasonable, is repudiation.

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